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# ***JPRS Report***

## **Soviet Union**

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***Economic Affairs***

# Soviet Union

## Economic Affairs

JPRS-UEA-91-027

## CONTENTS

31 MAY 1991

### NATIONAL ECONOMY

#### ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

- Denationalization Progress in Moscow Trade Sector Viewed  
*/S. Koroleva; TORGOVAYA GAZETA, 11 May 91/* ..... 1

#### PLANNING, PLAN IMPLEMENTATION

- Structure, Targets of 1991 Plan Discussed  
*/Ye. Ivanov; PLANOVYE KHOZYAYSTVO No. 1, Jan 91/* ..... 2

#### INVESTMENT, PRICES, BUDGET, FINANCE

- Guidelines on Inclusions in Production Costs Published  
*/EKONOMIKA I ZHIZN No 2, Jan 91/* ..... 8
- MVD Official Explains Hard Currency Regulations  
*/V. Degtyarev; ARGUMENTY I FAKTY No 19, May 91/* ..... 17

### REGIONAL ECONOMIC ISSUES

#### POLICY, ORGANIZATION

- Ukrainian Gosplan Official on Light Industry, Import-Export Issues  
*/L. Kornienko; RADYANSKA UKRAYINA, 12 Feb 91/* ..... 19
- Belorussian Council of Ministers First Deputy Chairman Fields Workers' Economic Questions  
*/M. Myasnikovich; SOVETSKAYA BELORUSSIYA, 20 Apr 91/* ..... 21
- Belorussian Banking Legislation Issued ..... 23
- Law on National Bank */SOVETSKAYA BELORUSSIYA, 28 Dec 90/* ..... 23
- Decree on National Bank */SOVETSKAYA BELORUSSIYA, 28 Dec 90/* ..... 26
- Belorussian Law on Banks, Banking Activity  
*/SOVETSKAYA BELORUSSIYA, 28 Dec 90/* ..... 27
- Belorussia Issues Additional Price Reform Legislation ..... 30
- Decree on Supplemental Protection of Populace  
*/SOVETSKAYA BELORUSSIYA, 9 Apr 91/* ..... 30
- State Commentary on Measures */SOVETSKAYA BELORUSSIYA, 11 Apr 91/* ..... 32
- Moldova, Independent Trade Union Council Sign Economic Stabilization Agreement ..... 34
- Text of Agreement */SOVETSKAYA MOLDOVA, 27 Apr 91/* ..... 34
- Addenda */SOVETSKAYA MOLDOVA, 27 Apr 91/* ..... 37
- Armenian Decree on 1991 Budget */GOLOS ARMENII, 19 Apr 91/* ..... 39
- Latvian SUPSOV Official on Implementation of Privatization  
*/J. Biezais; LATVIJAS JAUNATNE, 14-16 Mar 91/* ..... 40
- Lithuanian Law on Privatization of State Property */EKHO LITVY, 28, 29, 30 Mar 91/* ..... 41
- Decree Implementing Lithuanian Law on Privatization of State Property  
*/EKHO LITVY, 30 Mar 91/* ..... 49
- Kazakh Law on Enterprises ..... 50
- Text of Law */KAZAKHSTANSKAYA PRAVDA, 29 Mar 91/* ..... 50
- Decree on Law's Implementation */KAZAKHSTANSKAYA PRAVDA, 29 Mar 91/* ..... 58

#### INTERREGIONAL, FOREIGN TRADE

- Moldovan Foreign Economic Deals Criticized */A. Pasechnik; PRAVDA, 7 May 91/* ..... 59

## PRICES, BUDGET, FINANCES

Ukrainian Finance Minister on Repeal of Tax on Everyday Goods <i>[A. Kovalenko; PRAVDA UKRAINY, 2 May 91]</i> .....	61
Critical Budget Deficit in Kyrgyzstan <i>[E. Baybakpayev; TRUD, 12 May 91]</i> .....	62
Baltic Contributions to USSR Budget Viewed <i>[A. Jauce; LATVIJAS JAUNATNE, 14-16 Mar 91]</i> .....	62

## AGRICULTURE

### AGRO-ECONOMICS, POLICY, ORGANIZATION

Kolkhoz Role in Multi-Layered Economy Discussed .....	64
Kukhar Discusses Role, Disputes Yeltsin <i>[I. Kukhar; SELSKAYA ZHIZN, 15 Mar 91]</i> .....	64
Peasant Groups' Unity Urged <i>[S. Avramchenko; SELSKAYA ZHIZN, 12 May 91]</i> .....	65

## CONSUMER GOODS, DOMESTIC TRADE

### POLICY, ORGANIZATION

Current Consumer Goods Price List, Commentary <i>[V. Golovachev; TRUD, 9 May 91]</i> .....	66
--	----

### FOOD PROCESSING, DISTRIBUTION

Speedy Government Support of Privatization Reported by Ukrainian Milk Enterprise <i>[V. Veretennikov; KOMSOMOLSKOYE ZNAMYA, 23 April 91]</i> .....	71
---	----

## HOUSING, PERSONAL SERVICES

Return to Private Ownership Causing Social Displacement <i>[P. Penezhko; TRUD, 14 May 91]</i> ....	74
Open Market Housing Plan in Moscow Described <i>[L. Ivanov; ARGUMENTY I FAKTY No 19, May 91]</i> .....	76

## PERSONAL INCOME, SAVINGS

Current Minimum Living Standard Calculated at 250 Rubles per Month <i>[Yu. Rytov; PRAVITELSTVENNYY VESTNIK No 16, Apr 91]</i> .....	77
--	----

## ENERGY

### FUELS

Ministers on Stabilizing Oil, Gas, Coal Industries <i>[PRAVITELSTVENNYY VESTNIK No 6, Feb 91]</i> .....	80
--	----

### ELECTRIC POWER GENERATION

INGURIGES Energy Production Capacity Increases <i>[M. Gokhonya; SVOBODNAYA GRUZIYA, 19 Apr 91]</i> .....	82
Joint Ventures to Help Tap Georgian Energy Resources <i>[SVOBODNAYA GRUZIYA, 26 Apr 91]</i> .....	83
Northern TETS Found Ecologically Sound <i>[A. Mironov; NEZAVISIMAYA GAZETA, 30 Apr 91]</i> .....	83

## LABOR

Protocol Between Ukraine, Miners <i>[RADYANSKA UKRAYINA, 23 Apr 91]</i> .....	85
---	----

## TRANSPORTATION

### CIVIL AVIATION

Borispol Airport Prepares for Tu-204 <i>(Ye. Provorov, et al; VOZDUSHNYY TRANSPORT No 21, May 91)</i>	87
Opinions, Position on Air Traffic Controllers' Strike Viewed <i>(TRUD, 18 May 91)</i>	89

### MOTOR VEHICLES, HIGHWAYS

Yelabuga Motor Vehicle Plant Problems Highlighted	90
Construction Halted <i>(Ye. Kamenkov; AVTO No 17, 30 Apr-6 May 91)</i>	90
Fate Unknown <i>(A. Solntsev; AVTO No 17, 30 Apr-6 May 91)</i>	91

### RAIL SYSTEMS

Ministry, Branch Union Agreement on Rail Workers' Social Issues <i>(GUDOK, 30 Apr 91)</i>	93
Enterprises' Rail Systems, Sidings in Poor Repair <i>(A. Simon; GUDOK, 30 Apr 91)</i>	95

### MARITIME AND RIVER FLEETS

Shipyard Activity Reported <i>(A. Khaustov; SUDOSTROYENIYE No 11, Nov 90)</i>	97
--	----

## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Denationalization Progress in Moscow Trade Sector Viewed

914.407604 Moscow TORGOVAYA GAZETA  
in Russian 11 May 91 p 2

[Article by S. Koroleva, chief of the economic administration of the Trade Department of the Mosgorsoviet Ispolkom: "And They Started Out as Family Bakeries: One Can Arrive at Leasing and Privatization Without Waging a War of Laws and Purses"]

[Text] All of these facts go to show the obvious: the lease form of cost accounting has today demonstrated its effectiveness and deserves support. However, its further development has been impeded. In practice, the trade enterprise does not have independent status and economic independence vis-a-vis the higher organs and cooperating enterprises. Figuratively speaking, by far not every store can freely "enter the market." At present, all relations are limited by the stocks and are dictated by the stocks. As before, the norms of the deductions from income are established only for one year. It is clear that the developers of the norms are not convinced of the stability of the domestic economy, but they deprive even the trade collectives of economic confidence.

At the same time, increasingly more workers strive for independence. I will cite two figures: in 1990 there were 237 with independent current accounts, but now there are 1,300. However, many are sceptically inclined. The short-term lease and endless changes of the lease payments, which is revised every year and now, by decision of the Moscow City Soviet Ispolkom, is valid only for 1991, do not suit them. And the attempts of the landlords to increase them tenfold are also well known. Who will risk to be ruined? Joined stock companies could be created, but the ispolkoms dictate the dimensions of deposits into the capital fund, which gives rise to another monopoly.

On the one hand, all of us are for freedom of running a business, for strengthening the basic link of trade—the store, for the improvement of service in the trade sector. On the other hand, we undertake little for this and are in no hurry to repudiate the old methods. The instability in the country, flaws in legislation, and the absence of the necessary mechanisms prevent the beginning of the broad-scale changes affecting the economic foundation—property.

Denationalization in the trade sector, in my view, should proceed with the help of such forms as the lease. It is precisely lease relations that make it possible for the collective to examine its possibilities, to find its position in relations with the state, and then to choose the form of property that is most suitable.

The store workers are hardly capable of buying out at once the fixed assets of all of the 4,000 trade enterprises

of the Trade Department of the Moscow City Soviet Ispolkom. They are estimated at R617 million, including the value of their own premises and equipment. Here must be added also R354.6 million for buildings being leased. Per worker, this comes to R3,300 and R1,900 respectively, per store—R154,000 and R88,600. For this reason, it is most expedient to sell the stores in installments and to create joint stock companies. The labor collectives support this point of view.

The purchase of the fixed assets through funds of the collective still does not guarantee complete independence. A basic source of profitability is working capital. At present, working capital per worker in our country comes to R5,100, loan capital—to R4,000. In the course of a year, it is turned over 16 times and produces a corresponding income. For this reason it is important to replace all working capital with funds of the labor collectives.

Almost three years have passed since the time when bakeries appeared in Moscow: small stores on contract, where the entire collective consists of relatives. Then there were only three such stores, but today there are already fifty of them.

What has this given to the customers? A wider assortment of bread and confectionery, products of good quality, and a high level of service. Sales clerks are given the possibility of earning a good income, of showing initiative and the ability to sell. As the result of the efficient organization of the trade sector and better cooperation with the suppliers, the sale of bread in family bakeries increased by 40 percent compared with the past year. (For comparison: For the Moscow State Organization for the Baked Goods and Confectionery Retail Trade by 1.5 percent). No violations of the trade rules in these stores were noted, and complaints are infrequent. The majority of the stores that have been transferred to the family contract have started to stand out in terms of their more attractive exterior appearance. Almost everywhere repairs have been made, new equipment has been installed, and handsome and comfortable interiors have been created.

All in all, already 95 percent of the workers are working under various cost accounting and leasing arrangements in the system of the Trade Department of the Moscow City Soviet Ispolkom. There are 1,688 stores working on the basis of a lease contract and a lease, 48—on the basis of a family contract. Small enterprises number 72. One store has been bought into collective ownership. During the past year, the growth of income in them came to 31.3 percent (for the Trade Department of the Moscow City Soviet Ispolkom as a whole—6.1 percent). The load per worker increased by a factor of 1.3 (for the Trade Department of the Moscow City Soviet Ispolkom—by 16.4 percent). The average wage came to 340 and 260 rubles respectively. The right to attract additional resources, independently establishing contacts with industrial enterprises, bases, farms, cooperatives, and private individuals made it possible to significantly

broaden the assortment, organize additional jobs for the sale of cooperative and incidental goods. Commodity turnover in these stores is growing at twice the rate of the other ones.

The work of trading organizations with cooperatives has become a new direction in the leasing movement. Three stores of the Moscow City Trade Organization for Household Goods and Building Materials and the Oktyabrskiy Manufactured Goods Trade Organization were leased on advantageous conditions to cooperatives with the transmission of the state order for commodity turnover and centralized market allocations for its implementation. The commodity turnover here is outstripping the usual rates by a factor of 1.5 to 2.0. The assortment of commodities has been preserved, but along with this the cooperatives are selling building materials as well. This replacement should be effected on a once-only basis as well as on an installment basis, depending on the desire of the collective.

The mechanism of denationalization should include a more accurate determination of the lessor or the present state owner. In the trade sector of Moscow, the overwhelming majority of stores occupy leased premises—only 17 percent of the premises belong to the sector. In our view, it would be reasonable to determine as lessors the city or rayon Soviets or the Trade Department of the Moscow City Soviet Ispolkom association. Their relations with the store could be built on a mutually advantageous basis—through payment and the tax system.

There are many questions connected with the privatization of trade objects. With what enterprises to begin, at what price, and to sell to whom? How to preserve the assortment of goods, especially socially significant groups of commodities? Where to obtain credits for the purchase of trade enterprises and how to guarantee their return. There is a need for the legal and social protection of those who will work in a private store, and the employer must be given concrete documents about his rights and possibilities. I would not want to reduce this matter to the imitation of independence. But at present the situation around potential "private traders" is reminiscent of an all-round boycott. Managers who wanted to be independent have simply been dismissed. In Chernushkinskiy, Sovetskiy, and Khoroshevskiy rayons, and in Zelenograd, even criminal charges were brought against directors of lease enterprises, which were subsequently terminated for lack of a corpus delicti.

The Trade Department of the Moscow City Soviet Ispolkom plans to proceed to privatization in the course of 1991. In so doing, a solid packet of documents is necessary, the development of common approaches among representatives of the sector, city and rayon authorities. It is not necessary, we believe, to wage a "war" of purses and laws in the purchase of stores. Most important here should be the business plans of the future private managers, the formation of economic relations for the wholesale purchase of commodities on resources from state and other sources. We must give private stores

the rights connected with price formation and wages. It is necessary to define the procedure for issuing orders, licenses, etc. It is time to transform the transition to the market from the sphere of discussions into a practical undertaking.

## PLANNING, PLAN IMPLEMENTATION

### Structure, Targets of 1991 Plan Discussed

*914A0714A Moscow PLANOVYE KHOZYAYSTVO  
in Russian No 1, Jan 91 pp 3-11*

[Interview with Yevgeniy Aleksandrovich Ivanov, Deputy Chief of the Composite Section of National Economic Planning, by V. Kozlov: "Features of the 1991 Plan"]

[Text] In connection with the discussion of the 1991 plan, the editorial office asked one of the developers of the plan, Ye.A. Ivanov, Chief of the Composite Section of National Economic Planning, to tell about the plan's structure, tasks, and features.

[Kozlov] Yevgeniy Aleksandrovich, the plan for developing the national economy in 1991 is an unusual one in the history of our economy. Could you tell us what the impetus was for developing this plan and how it differs in its principal points from earlier plans?

[Ivanov] You are right, the plan is really somewhat unusual. It consists of two, what can be called, large blocks: a prognosis of how the economy will function in 1991 and the state plan itself in those spheres over which the USSR [the Union] has jurisdiction. This organizational outline and nature of the appended documents were determined by that entirely new environment in which our economy will function this year. First, these are legislative measures relevant to the country's transition to market relationships and, second, they have to do with the approval of declarations by the union republics on their state sovereignty.

Thus, the Center can no longer directly interfere in all processes and spheres of economic development of the national economy. Some of them are being transferred to the jurisdiction of union republics and local Soviets. At the same time, new enterprises are being established which are not state owned, but have a different form of ownership. The Union will still have jurisdiction over the electric power system, informatics system, railway, sea, and air transport, defense industry, and certain other sectors in which there will be centralized administration. With regard to macroeconomic indices, such as volume of production, capital investment, and so on, which were formerly administered by directive, they will now have a prognostic characteristic, basically—an informational characteristic—at various levels (relative to the capacity of the domestic market, requirements of the national economy, and the possibilities of satisfying these requirements at the cost of affecting the domestic market).

The planning documents of both blocks that I mentioned are closely interconnected. During the development of the prognosis, positive trends in the development of the national economy, engendered by the transition to the market, came to light, as did negative trends, i.e., those narrow areas and sore points with which our economy may collide in the current year. The plan regarding the jurisdictional sectors of the USSR is to a significant degree directed precisely at eliminating these negative trends.

From what I have said, it can be seen that the Center no longer dictates directly to the enterprises, branches of the economy, and republics, but basically, provides them with information. This allows the sphere of influence by directive to be cut down to a minimum.

Of course, the prognosis and the plan were developed on the basis of the current economic situation. Taken into consideration were the intentions of associations and enterprises, generalized by the republics and the ministries, as well as possible new features with which we shall have to contend in foreign economic relations and in other areas.

**[Kozlov] In these planning documents, what consideration was given to the Decree of the President of the USSR on the Stabilization of Economic Ties in the Fourth Quarter of 1990 and in 1991?**

[Ivanov] This Decree is the guarantor for making the plan work in the sectors under the jurisdiction of the USSR. Actually, the directive procedures establish the delivery of goods for the state. They include the range of production and the volume that are indispensable for Union organs to fulfill their functions, and to a significant degree they determine economic ties among enterprises. At the same time, a large part of production goes beyond this framework and has to be worked out through direct agreements among enterprises. But even if goods were not included in the listing [nomenklatura] or in the volume for state deliveries, economic ties that developed during the course of the year cannot be altered on the basis of production. Otherwise, this can lead to ruining cooperation and the close integration which were established among enterprises, branches of the economy, and the territories of our country.

Of course, the market presupposes an unimpeded search for its trading partner. But a certain gradualness has to be observed here, so that cooperation is not ruined. The President's Decree guarantees the continued existence of ties that have been developed, and at the same time the opportunity of a gradual search for new partners. All this is taken into consideration in the prognosis and the plan. I have to state openly that the prognostic assessments which were submitted can be attained only if existing economic ties are preserved at the 1990 level. Concurrently, the President's Decree on the transition to the market economy leaves a great deal of freedom of action both for territories and enterprises. After all, the entire output manufactured by enterprises above the 1990 level

may be freely dealt with as they themselves decide. An analogous approach is to treat the enterprise as a consumer.

**[Kozlov] The 1991 plan is being approved independently and separately from the new Five Year Plan. Did this fact leave an imprint on its development? What do you think of the long-range future of the Five Year Plan and future planning? Will planning, in general, be preserved? After all, if one listens to the speakers in the USSR Supreme Soviet, one can already hear words to the effect that the 1991 plan should be the last plan that our parliament looks at.**

[Ivanov] This is a very complex question. It concerns the preservation of planning procedures and changing the system for developing plans in the transition of the economy to market relationships. Let me make several general comments on this matter. If we take an important document such as the "Basic Directions on Stabilizing the National Economy and the Transition to the Market Economy," approved by the USSR Supreme Soviet, I doubt that you will see any term having the word "plan" as its root even a single time in the entire text. To a certain extent this is understandable, since many persons associate centralized planning with a bureaucratic regime.

In actuality, centralized planning in our country served our administrative-command system faithfully and loyally. I must say, however, that centralized planning and bureaucratic administration are not related, but are fellow-travelers by chance. In the 20th century a great number of countries had very harsh regimes, but there was no planning. And at the same time, one can name many democratic states with market economies, where state planning is highly developed and state ownership is high.

Of course, our planning on the transition to a market economy will change substantively. To characterize the essence of what I have said in a very concise way, it consists of a transition from planning someone's activities—when a higher organ plans the activities of a subordinate organization—to planning its own activities. Economic organs at every level of administration (republic or local, associations, concerns or enterprises) will determine the nature of their own activities in the future. And this is indeed planning, but only of their own activities. It is precisely planning that undoubtedly will stay and transition to the period when an All-Union market begins to work full scale.

Now, about the connection between the annual plan and the future. The 1991 plan was not developed in isolation from long-range projections. I would like to remind you that the Second Congress of People's Deputies of the USSR discussed the problems of developing the Five Year Plan, and the deputies were presented with sufficiently developed and detailed numerical information (the document that was the object of discussion contained a very broad range of indices for the 13th Five

Year Plan). The Congress assigned the task of working out long-range projections in 1991. The plan for the current year was based on the same principal approaches and quantitative parameters which were approved by the Second Congress of People's Deputies of the USSR.

With regard to deadlines for working out the new long-range plan, its formulation in 1991 is completely correct. Whether these are plan and prognosis projections for five or four years, or for a longer period of time, to a great degree this question should be decided upon after studying how the national economy has been functioning under new economic conditions for at least half a year. It will be necessary to see how the economy behaves during the transition period to the market economy. After all, the economic environment in 1991 is radically different from the one in which we lived up to now. It seems to me that we have not yet evaluated the changes that have occurred in the economy recently.

In this regard I would like to draw your attention, first of all, to the unified tax system. Implementing it means that millions of economic norms, which all enterprises adhered to up to now and which erected harsh barriers to forming various funds, will be replaced by a unified tax system. These same enterprises will have the full freedom to utilize whatever resources they have at their disposal. Second, entirely new approaches are beginning to be implemented with respect to price setting. I would like to point out, first of all, that the ratio of prices freely set through agreements will be very high.

Just these two innovations that I mentioned will advance our economy to the market economy to a significant degree and will shift the emphasis on the relationship between the enterprise and the state from a natural distribution aspect to a financial (monetary) aspect. In addition, there was also a change in the credit system; an increase in the discount rate and interest for credit was directed at strengthening (increasing the prices) currency. In addition, as I have already said, the range of indices kept by the USSR Gosplan [State Planning Committee] was cut down greatly. This means that a market of means of production is being created, i.e., the material and technical supply of enterprises to a great degree is changing over from the centralized distribution principle to direct ties and to market relationships.

From what I have said above, it is evident that the economy in the current year will function under completely new conditions. Consequently, in order to begin developing some kind of long-range plans, we have to weigh at least the results of the first half of 1991, assess how the economy will react to these conditions, and what additional corrective measures will be needed.

**[Kozlov] Yevgeniy Aleksandrovich, many economists believe that no matter what sort of measures are planned, if the ruble is not strengthened, these plans will be doomed to failure. In this connection, a question: Does the 1991 plan take into consideration any kind of special measures to strengthen Soviet currency?**

[Ivanov] It goes without saying that such measures are considered in the plan and not only in the plan. For all practical purposes, everything that is being done now—and this concerns both the creation of a new economic environment and the plan itself as a document—to a great degree is directed towards strengthening the ruble and the financial condition of the country. One of these measures (in the plan itself) is a sharp and absolute decrease in production investment. This should facilitate the creation of a shield against throwing money into circulation (this measure is both in the plan and in the budget). This measure takes into consideration a decrease in the number of on-going construction jobs, keeping many of them, and halting the start of new construction, etc. Of course a decrease in investment will reflect on money circulation, although not fully and not as much as the entire sum of the decrease. Nevertheless, this will preclude having to introduce a sufficiently large sum into circulation, because a large portion of the investment represents wages.

I want to call your attention to the fact that this year there will be a firm linkage between the growth in the fund for wages and the increase in the volume of output. I think that serious mistakes were tolerated in the past with regard to this matter: In 1988, when the dependence between the growth of wage funds and productivity of labor was being implemented, union organs did not demonstrate the necessary firmness. At the time public opinion came out strongly against such a measure (this was facilitated primarily by the weakness of explanatory work and, probably by the fact that no one foresaw today's empty store shelves), and the government bowed to pressure. As a result, from 1988 on a colossal influx of money began to be circulated through wages and, of course, no kind of increase in the production of consumer goods could catch up with all the money in circulation. In 1988-1989 alone, the increase in the monetary income of the population surpassed the sum of the previous seven years. When there is this kind of influx of money into circulation, one cannot speak of the firmness and stability of the ruble. This is exactly why a decision was made now to have a sufficiently firm control over the wage fund which, I think, should influence the strengthening of the ruble.

But there is another side to this story: the increase in the output of consumer goods and flooding the market with them. The government and the USSR Gosplan are not forecasting an increase in consumer goods production in 1991. Moreover, small decreases in the gross national product, national income, and industrial production (small, but nonetheless decreases) are being proposed. At the same time, all production indices relevant to consumer goods are increasing at rather high rates for today's situation. Thus, if we take industrial production as a whole, we are forecasting that it will go down by 1.5 percent. All decreases, however, are counted against group "A," which will decrease by 4 percent. Group "B," however, according to estimates, will grow in 1991 by some 4-4.5 percent. As a result, the ratio of the consumption fund and nonproduction construction will increase

sharply in the national income, since the fund for production accumulation goes up to nearly 13 percent. But at one time it was 20-25 percent and even higher. The service sector is expanding by 10 percent. This is a colossal increase for this sector and one that we never had before.

Important in strengthening the ruble must be measures taken to tie together savings on the part of the population. Recently a decree was approved to increase interest rates for deposits in savings banks. And although very little time has passed, we already see that the population is sufficiently motivated to transfer its savings into deposit accounts. This means that a part of the money that people wanted to use for buying goods in the domestic market will be quite stably transferred to bank accounts for a certain period of time. The money is withdrawn from circulation, i.e., it will not create a pressure on the goods market. This also strengthens the ruble.

An even stronger measure in this direction, and one on which we can count in the near future, is the privatization of our economy, including small production facilities, land, and housing. By doing this, a number of items which up to the present were not considered saleable commodities will become such. They may attract a considerable part of the people's savings, especially that part which now is causing a pressure on the consumer market. Leases and stockholdings will function in the same way.

From what I have enumerated, it can be seen that a whole gamut of measures has been marked out to strengthen the ruble. And I have not even mentioned the decision on currency problems and many others. All these measures are embodied in the planning documents: They are taken into consideration in prognoses and have been reflected in plan indices with regard to delivery of production output to the state. Incidentally, regarding nonfoodstuff consumer goods, deliveries to the state comprise the largest part of the output. For a number of different kinds of manufactured goods, considering the situation in the domestic market, these deliveries amount to 100 percent of what is produced. In this regard the plan is very tough. With respect to deliveries of foodstuffs and agricultural raw materials, the plan for the current year is limited to the general All-Union fund, i.e., the fund which provides foodstuffs to the army, special consumers, large cities (such as Moscow and Leningrad), state reserves, and international state obligations. Although it is true that the plan includes inter-republic deliveries of foodstuffs and agricultural raw materials, the republics now have to transition to inter-republic economic agreements. Many republics, however, asked that somehow they be included in the plan, so that there would be a definite guarantee of inter-republic deliveries.

[Kozlov] There has been a recent trend toward more isolation of the republics and even separate regions. Will

not this striving for autarchy interfere with the implementation of the state plan? After all, we have been talking all this time about a unified national economy for the Union. In general, how do the republic plans mesh with yours? What measures will be taken to prevent the national economy from splitting into "appanage principalities" and separate markets?

[Ivanov] The plan is based on the economic sovereignty of the republics. Deliveries for the state, as I have already noted, are very limited in types of goods and quantities. But this permits the preservation of the national economy as a unified complex. It is absolutely true that the plan must save the basic cooperative ties and defend the economy from splitting into separate principalities. There is no doubt that the danger of such a split exists. And it exists especially if the union republics ignore state deliveries specified by the plan. As far as what goes beyond the framework of state deliveries, this should be completely determined by inter-republic agreements. Although at the same time, of course, we must also keep in mind the President's Decree On Preserving Economic Ties.

Therefore, we now have a number of features (proposals reflected in the approved documents), which will limit their independence in inter-republic ties (first of all, the President's Decree and state deliveries) to the extent to which republics delegated specific functions to the Union. A huge area, however, has been left for completely independent economic cooperation between the republics. This is one of the unique features of the transition period. Let me remind you that the President's Decree applies only to 1991, and afterwards the republics' sovereignty comes into its own, as do inter-republic economic relations. When market relationships become established and ties between republics and enterprises are regulated by the market, then the problem of the Center versus the republics will basically disappear. The market will determine the ties between firms and enterprises.

Regulation of the market should be the prerogative of state organs (union and republic). It should, however, be a minimal and indirect intervention (through tax and licensing systems, etc.). The present acute problem of who is, after all, the owner, and who is the director, and to whom does all this belong, will by and large disappear when the market begins to work. The owner will be the enterprise or the firm. But we have to get through the transition period and the present aggravations, and these will go away when the Union agreement is approved.

It is true that at present there is the danger that under the flag of economic sovereignty the republics in 1991 will start refusing to deliver goods to the state fund, as specified by the plan, and will violate the economic ties established between enterprises. I have to say that there would be no winners in that kind of situation. We already have examples of retribution measures immediately being taken when some sort of limitation is placed on inter-republic flow of goods from some republic

(oblast or city). This temporary win is then turned around for the initiator with—as a rule—an even greater loss. In addition, the entire national economy is negatively affected when these ties are violated. These kinds of separatist actions are one of the reasons why the difficulties we are going through are escalating more rapidly.

**[Kozlov] Yevgeniy Aleksandrovich, you said that in 1991 the accumulation fund will be decreased sharply. Will this not be a reason for a technical stagnation in the future, since the share of the accumulation—13 percent—is very small. It is not enough for modernizing production. A majority of scholars believes that the accumulation fund should not go under 22-23 percent.**

[Ivanov] You have asked a very serious question. Of course, one has to be careful in speaking about this process. First, let us examine what would permit decreasing the amount of the production accumulation. The fund for production accumulation consists of expenditures for construction, including reconstruction, and modernizing the machinery inventory. Recently, uncompleted construction due to a number of reasons (primarily the dissipation of resources and, stemming from that, the extension of deadlines) reached enormous proportions. This is the withdrawal of resources from circulation. Cutting back on the number of unfinished construction projects will improve the economic situation as a whole and, in addition, will permit the share of production accumulation to be decreased significantly. Of course, it is clear that this measure will also affect new construction and large reconstruction projects, and the present situation absolutely requires this to occur, as the experience of developed capitalist countries shows. As you know, investment decreases sharply there in times of crisis. We are going through an analogous situation, and in order to get out of the deadend in which our economy is today, we have to use every constructive method that has been developed through worldwide experience. It is another matter that the process of decreasing investments has to be monitored very carefully and not allow it to gather momentum in the next two years (1992 and 1993). We have to win out over this trend. I am convinced that this process has to be halted already in 1992, and if the national economy is not be able to show a sharp increase in the share of the accumulation fund, then in any case, we have to strive for stabilizing it with a built-in trend toward increasing it somewhat.

During the current year another unique feature came up in the investment area which also had an influence on decreasing the amount of the accumulation fund. A year ago the Supreme Soviet of the USSR, if you remember, when it approved the plan for 1990, examined total investments (they added up to over 200 billion rubles). There were then proposals to increase capital investment in a given sector and decrease it in some other sector. Now the situation is completely different. We conducted forecasting calculations of those sources of financing which could be directed toward capital construction in 1991. This forecast took into consideration that the

overwhelming amount of resources (over 70 percent) will be owned by enterprises which have the right to use them in any way they wish without asking anyone. There is no doubt that a certain part of the investments will be financed from the All-Union budget and a certain part from the republic and local budgets.

The total of financial resources which enterprises, the republics, and the Union—according to our calculations—will try to turn into capital investments, will be over 350 billion rubles. In principle, the Center cannot forbid anyone to use these resources for capital construction. In our prognosis, however, the overall total of investments is fixed at a level of 260 billion rubles. Why are we forecasting this amount? Well, because we studied the domestic market for construction materials, equipment, and capacities of construction sub-contractor organizations. After all, no matter how great the sources of financing the enterprises have, they will not be able to turn them into capital investment if they do not find the corresponding material support. This is what will limit their possibilities, even though no one can, and no one will, forbid them to spend their own money.

Returning to the deliberations of the USSR Supreme Soviet on capital investment, this time it could carry out its decision only on the redistribution of 52 billion rubles for capital investment, and capital construction will be financed out of the All-Union budget only within the framework of this sum. The remainder of the resources will be taken from the republics' budgets and, first of all, from enterprise resources. In this connection I would like to say that the implementation and development of market relationships this year will greatly influence the share of accumulation. Based on preliminary intentions of enterprises, we forecast a 13 percent production accumulation, but the market can correct this figure, because the lion's share of capital investment consists of resources which will be spent by enterprises. And where these resources will be directed—toward industrial or non-industrial construction, or in general, used for consumption—will be decided by the enterprises themselves.

**[Kozlov] How will the people's standard of living be guaranteed this year? Are we not being threatened by a very substantial decrease in our standard of living? These questions are especially important in connection with the transition to the market economy.**

[Ivanov] I have to say that regardless of the extremely difficult financial situation and the fact that there is an intention to resolve the problems on strengthening the ruble, the USSR Supreme Soviet has made a number of decisions for 1991 on centralizing measures for raising the people's standard of living. Actually, these decisions were approved for both 1990 and 1991. The total sum of resources necessary to implement these measures is very large. Here are some figures. Up until recently, the total sum of resources spent on centralized measures of this kind amounted to 3-4 billion rubles per year. In 1990 the sum already jumped to 19 billion rubles. For 1991, 47.2

billion rubles have been projected (I want to remind you that for the entire 13th Five-Year Plan, the Second Congress of the USSR People's Deputies had approved 57 billion rubles). In the current year, out of the 47.2 billion rubles, around 23 billion is coming out of the 1990 amount, and more than 24 billion are new appropriations. Of these 24 billion, a large part is tied to implementing the pension law. In addition, these funds have to finance improved material conditions for students, youths, families with many children, mothers and babies, etc.

As you can see, even with all the financial difficulties, the plan is still providing for full implementation of these measures. To a certain extent they provide protection from the negative aspects of transitioning to market relationships. Thus, already in 1990 the pension minimums were increased, which protects to a certain degree the most vulnerable segments of the population from the elements of the market. Among these measures, however, there are not any that are directed straight at protecting someone from the market. We are speaking primarily about a compensation for the state's direct increase in prices. The government has announced very clearly that the increase in prices for goods that are not luxury items will be fully compensated for from the moment they are increased. There has been no decision on this yet; therefore, the amounts of the compensation have not been included in the total financing of the measures we talked about earlier.

In general, the following sequence is planned: a decree is approved on raising the prices of goods not included in the category of luxury goods, and simultaneously, a decision is made on compensation. This compensation will be authorized first of all for pensioners, students, and those working for a set salary (physicians, teachers, employees, etc.). With regard to workers in cost center enterprises, a similar compensation will also be paid to those in the state sector.

Another sequence is foreseen when retail prices are established by the market, based on supply and demand, i.e., they will be free prices. In this case we shall also use a revenue index, but only for those workers and segments of the population who receive a fixed monetary income (pensions, grants, and fixed wages). For workers in many production enterprises, there will be no budget indexing of income, since they will be able to maintain their standard of living through raising prices for the goods they produce. In general, we have to take into account the fact that when prices are free, if we seriously want to combat inflation, it is impossible and even unnecessary, and simply illogical to do a full indexing of all income. In order to stifle inflation, indexing should, to a certain extent, lag behind price increases, but certain segments of the population, of course, have to be protected.

There is still another aspect of protecting the population from the negative consequences of the market. I am

talking about unemployment. I must say that the document which was examined at the session of the Supreme Soviet was based on a fairly positive situation in this case. The document forecasts an insignificant fall in production and a certain decrease in labor productivity. In sum, it is believed that in 1991 it will be possible to avoid any significant unemployment, and the number of workers needing jobs will come up to nearly two million persons.

Although the prognosis relative to unemployment is quite optimistic, we understand that the market may react somewhat differently; therefore, it is necessary to be prepared for any eventuality in this area. This is why, as you know, a law is now being written on employment. It is providing for unemployment compensation, the development of a very broad network for retraining (reclassifying) personnel, and the establishment of employment offices in all territories. Thus, we are making definite preparations for this eventuality, should it arise.

Consequently, if we take everything that I said above, there should not be any significant decrease in the standard of living. At the present time, however, we are not inclined to operate under the old averaged index of real income, which could be compared to the average temperature taken in a hospital, and was good when there was not a great differentiation in income, and income in every segment of the population increased at approximately the same rate. The market will create a different situation: The differentiation in income will increase, and this process will evolve very quickly. There will be groups in the population whose 1991 income will rise sharply and will be substantially way off any nationwide average index. Simultaneously, there will be groups whose income will fall (the law of communicating vessels).

**[Kozlov] How will measures for raising the people's standard of living be supported by material resources? After all, 47 billion rubles is a huge sum of money.**

[Ivanov] Our prognosis shows the possibility of a trade goods balance. Actually, if overall production falls somewhat, the output of consumers' goods will increase, and the volume in the service sector will increase. In addition, the measures I spoke about with regard to the strengthening of the ruble and tying up the monetary resources of the population will balance them with payments for goods. Here, I must also mention an important measure that we have not talked about yet: The use of foreign credits. Before, the volume of imports was included in the plan only after agreements had been signed prior to the beginning of the plan period. Now, however, this kind of work goes on uninterruptedly. We are hoping to receive significant foreign credits. They will also be used for purchasing consumer goods in order to saturate the market.

Of course, one has to be very careful in using credits. Credits have to be paid back, and we have to think about

sources for repaying them, keeping in mind, especially, our production and its growth. This is why one portion of the credits has to be used to saturate the market in 1991, and another - to develop the domestic production of consumer goods.

There is one other problem. In general, we are forecasting a balance in monetary income throughout the country, but it will be very difficult to guarantee this balance in every region (republic, oblast, or city), and people feel the presence of this balance (or lack of balance) wherever they live. The main thing in this matter is to overcome autarchy which is now, unfortunately, growing in strength both in the oblasts and in the republics, and is reflecting on the flow of goods throughout the country.

It is necessary to emphasize this: no customs barriers have ever been advantageous to anyone. And the hopes of the individual oblasts, expressed by their belief that if they were able to manage everything they own, they would be able to satisfy the needs of all the people who live there, proved to be wrong. No one was better off because of the isolation, but everyone lost.

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## INVESTMENT, PRICES, BUDGET, FINANCE

### **Guidelines on Inclusions in Production Costs Published**

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[Text of guidelines approved at the end of 1990 by the USSR Gosplan, the USSR Ministry of Finance, the USSR State Committee on Prices, and the USSR State Committee for Statistics: "Basic Provisions Concerning the Structure of Expenditures Included in the Prime Cost of Production (Work and Services) at USSR Enterprises"]

[Text]

### **I. General Provisions**

1. The present Basic Provisions have been developed in accordance with USSR Council of Ministers Decree No 1131 of 5 November 1990 and have the purpose of ensuring a uniform definition of the structure of expenditures that are included in the prime cost of production (work and services) at USSR enterprises in all sectors of the national economy. (Footnote 1) (Here and henceforth in the text, enterprise is taken to include all types of enterprises, associations, and organizations to which the USSR Law: "On Enterprises in the USSR" applies.)

2. In accordance with the Basic Provisions and taking into account special characteristics of the production

and sale of products (work, services) in the corresponding sectors, subsectors, production units, and types of activity, the ministries, departments, intersectoral state associations, state concerns and associations, and also other organs not under departmental management, shall work out and approve sectoral methodic recommendations relating to questions of the planning, accounting, and calculation of the prime cost of production (work, services). In so doing, agreement must be reached among the USSR Ministry of Finance, the USSR State Committee on Prices, the USSR State Committee for Statistics, and USSR Gosplan [State Planning Committee] concerning special features of the structure of expenditures that are not covered in the present Basic Provisions.

3. Sectoral methodic recommendations worked out and approved by corresponding organs of management are to be applied by all enterprises of the given sector (subsector), by enterprises included within their system (composition), and also by enterprises of this sector (subsector) belonging to the system (composition) of other management organs, irrespective of their form of ownership, if other recommendations have not been developed following procedures established for their organs of management. (Footnote 2) (In such cases, when enterprises do not fall within the system (composition) of any kind of economic structures, corresponding methodic recommendations are issued to them by republic local organs of state administration.)

4. The present Basic Provisions enter into effect on 1 January 1991.

### **II. Structure of Expenditures included in the prime cost of production (work, services) at USSR enterprises.**

5. The prime cost of production (work, services) of enterprises is comprised of expenditures connected with the utilization within the process of production of products (work, services) of natural resources, raw materials, materials, fuel, energy, fixed capital, labor resources, and also other expenditures connected with their production and sale.

6. Included in the prime cost of production are:

a) expenditures for the preparation and initiation of production include:

- outlays for preparatory operations in the extractive sectors including surveying deposits, clearing land in the area of open mining operations and in areas for storing the fertile layer of soil to be used for subsequent re-cultivation of the land, construction of temporary approach routes and roads for removing extracted raw material, and other types of operations;

- increased expenditures for the production of new types of output during the period of their development, and also expenditures for preparing and developing the output of products not intended for series or mass production.

All other expenditures connected with preparing and developing production of new types of products and technological processes do not pertain to the prime cost

of production (work, services) and are covered at the expense of profits remaining at the disposal of the enterprise.

These include expenditures connected with the development of new enterprises, production units, shops, and sets of equipment (start-up costs); verification of the readiness of new enterprises, production units, shops, and sets of equipment to be placed into operation by means of complex testing (under workload) of all machinery and mechanisms (test operation) with trial production of production envisaged by the technical plan, adjustment of equipment.

At the same time, the following are not considered as expenditures for development of new enterprises, production units, shops, and sets of equipment (start-up costs) and are covered at the expense of funds designated for capital investments:

—expenditures for individual testing of specific types of machinery and mechanisms and for complex testing (at idle) of all types of equipment and technical installations with the aim of verifying the quality of their installation;

—expenditures for contract supervision [shefmontazh] carried out by the plants supplying the equipment or, at their behest, by specialized enterprises;

—expenditures for maintaining management of an enterprise being constructed and, in its absence, for technical supervision of the operating enterprise, and also expenditures connected with approval of new enterprises and objects for operation;

—expenditures connected with training personnel for work at an enterprise being newly placed into operation.

Expenditures for correcting defects in technical plans and construction and installation operations, correction of equipment defects that are the fault of the plants manufacturing them and also damages and deformations occurring during transportation to pre-installation storage, expenditures for inspecting (dismantling) of equipment as a result of defects in anti-corrosion protection, and other analogous expenditures are covered at the expense of the enterprises that have violated conditions for delivery and carrying out operations.

b) expenses directly connected with the production of products (work, services) that are conditioned by the technology and organization of production, including outlays for supervision of production processes and the quality of output produced.

c) expenses connected with utilization of natural resources, in particular deductions for covering expenses for geological survey and geological prospecting operations for mineral resources, expenses for re-cultivation of land, payment for timber left standing, and also payment

for water taken by industrial enterprises from water distribution system within the limits of established limits.

Others types of payments for natural resources (including payments in the form of rent) as well as for discharging (dumping) pollutants into the environment are made at the expense of profits.

d) expenses of a noncapital character connected with improvement of the technology and organization of production, and also with improving the quality of output and increasing its reliability, durability, and other use characteristics that are carried out in the course of the production process.

Expenses for the creation of new technologies and improvement of ones in use, and also for improving quality of output, which involve carrying out scientific research and experimental design operations, for the creation of new types of raw material and materials, and for retooling the production process, are carried out at the expense of profits remaining at the disposal of the enterprise and other funds assigned for development and improvement of production, and are not included in the prime cost of production (works, services).

e) costs confection with invention and rationalization, including expenses for carrying out experimental design operations, preparation and testing of models and samples of inventions and rationalization proposals, for organization of exhibitions and shows, contests, and other measures connected with invention and rationalization, payments of royalties, and other expenses.

f) costs connected with operation of the production process:

—for supplying the production process with raw material, materials, fuel, energy, instruments, devices, and other means and objects of labor;

—for maintaining fixed production capital in working order (expenses for technical inspection and care, for carrying out current, interim, and capital repair);

Modernization of equipment and also reconstruction of fixed capital items are carried out at the expense of funds assigned for development and improvement of production.

—for providing for the fulfillment of sanitary and hygienic requirements, including expenses for maintenance of premises and inventories provided by enterprises to medical institutions for the organization of medical points directly on the territory of an enterprise, for maintaining cleanliness and order at the production unit, ensuring fire and security protection, and for other special requirements envisaged by the technical operation regulations of enterprises, oversight and control of their activities.

g) costs of providing normal conditions of work and safety equipment: installing and maintaining protective

barriers for machines and their moving parts, hatches, openings, signal devices, and other types of installations of a noncapital character in support of safety engineering; installing and maintaining disinfecting chambers, wash basins, showers, baths, and laundries at production sites (where the provision of these services to workers is related to special characteristics of production and is stipulated by a collective agreement); equipping working places with special installations (of a noncapital character), provision of special clothing, footwear, protective devices and, in cases stipulated by law, with special food, maintenance of installations for carbonation of water, ice-making installations, boilers, tanks, cloak rooms, lockers for special clothing, dryers, rooms for relaxation, creation of other conditions stipulated by special requirements, and also acquisition of handbooks and posters concerning labor safety and the organization of lectures and classes on safety engineering.

Measures for health protection and organization of rest that are not directly connected with the participation of workers in the production process are carried out at the expense of funds allocated for social needs, and expenses for carrying them out are not included in the prime cost of production (work, services).

h) costs connected with recruitment of manpower as stipulated by existing legislation, including expenses for paying graduates of secondary professional and technical schools and young specialists who have completed higher or secondary special educational institution transportation to a place of work and also for providing them leave before the beginning of work;

i) current costs connected with maintaining and utilizing environmental protection equipment: purification installations, ash collectors, filters, and other environmental protection objects, expenses for burying ecologically dangerous wastes, payment for the services of outside organizations for receipt, storage, and destruction of ecologically dangerous waste products, treatment of sewage, other types of current environmental protection expenses;

j) costs connected with management of production, including:

—maintenance of the administrative and technical personnel of an enterprise and its structural subdivisions, its material, technical, and transportation support;

—costs for temporary duty assignments connected with production activity (in accordance with established norms);

—maintenance and servicing of technical means of management: computer centers, communications centers, signalling facilities, and other technical means of management;

—payment for consultative, information, and auditing services;

—payment for work connected with certification of output;

—representational expenditures connected with the activity of enterprises in accordance with established norms: payment for the services of translators not on the staff of an enterprise, expenses for hosting official receptions for foreign representatives, for their visits to cultural and spectator events, and also for refreshment and other service during business negotiations and visits to cultural and spectator events.

The creation and improvement of management systems and methods are financed from funds designated for the development and improvement of production.

k) expenses connected with the training and retraining of personnel, in particular:

—payment to the workers of enterprises of their average wages at their principal place of employment during their off-job training within the system for raising the qualifications and retraining of personnel;

—wages of qualified workers, not excused from their primary work, for training students and for raising the qualifications of workers;

—payment of leaves involving full or partial retention of salary that are granted in accordance with existing legislation to persons successfully studying in evening and or by correspondence in higher and secondary special education institutions, in self-study postgraduate programs, in evening (shift) and correspondence general education schools, in evening (shift) professional and technical schools, and also workers who enter post-graduate study both with and without interrupting production work; payment of their transportation to their place of study and back, as stipulated by law.

All other expenses for training, retraining, and increasing the qualifications of personnel, including expenditures for stipends, payment for study on the basis of agreements with educational institutions relating to the provision of long-term training services, increasing qualifications, and retraining of personnel, expenditures of base enterprises for the salaries of engineering and technical workers and qualified workers excused from their principal work, for administration of study under conditions of production and of production practice of pupils in general education schools, secondary professional and technical schools, and secondary special educational institutions, students of higher educational institutions, and also all expenses connected with maintenance and provision of cost-free services to educational institutions, are covered at the expense of profits remaining at the disposal of enterprises or other special sources and are not included in the prime cost of production (work, services).

l) costs connected with the transportation of workers to place of work and back in directions not served by

general-purpose passenger transport, including additional expenditures for special city passenger transport routes, organized on the basis of agreements concluded with transportation enterprises (above the cost paid by workers of enterprises on the basis of existing fares for the corresponding type of transportation);

m) additional expenses connected with accomplishing projects by the watch method [vakhtovyy method], including transportation costs for delivery of workers from the place of location of the enterprise or an assembly point to the place of the work and back and from the place of residence in the watch settlement to the place of work and back, and also noncompensated expenditures for operation and maintenance of the watch settlement. Expenditures for construction of the watch settlement are paid with funds assigned for capital construction;

n) payments stipulated by labor legislation for time spent not engaged in production (absence time): payment for regular and supplementary leaves, compensation for unused leave, payment for the preferential hours of adolescents, payment for work interruptions of nursing mothers, payment for time involved in undergoing medical examinations and fulfillment of state obligations, payment of length-of-service awards, other types of payments;

o) deductions to state social security from expenditures for wages that included in the prime cost of production (work and services);

p) deductions for mandatory medical insurance;

q) payments for mandatory insurance of the property of an enterprise that is considered a part of its production funds;

r) expenses for paying interest on short term loans of banks (other than interest on overdue and deferred loans and loans obtained to make up a deficit in an enterprise's own working capital), and also for the payment of interest for the acquisition of material resources (performance of work, provision of services) by outside enterprises on credit provided by the supplier of the material resources (producer of the work or services);

s) payment for the services of banks for carrying out, in accordance with concluded agreements, commission-trade (factoring) operations;

t) outlays for guaranteed service and repair of articles for which guaranteed periods of service have been established;

u) costs connected with the sale of output: packing, storage, loading and transportation (except in those cases when they are paid by the buyer above the price of the output), payment for the services of transport and shipping and intermediary organizations, commission fees and rewards paid to everyday-service and foreign-trade organizations, outlays for advertising, including participation in exhibitions and fairs, and others;

v) costs of maintaining premises made available without charge to public catering enterprises serving labor collectives (including amortization deductions, expenditures for carrying out all kinds of repair to the premises, expenditures for lighting, heat, water supply, for providing electricity, and also for fuel used in the preparation of food);

w) expenditures for reproduction of fixed production funds that are included in the prime cost of production (work, services) in the form of full-replacement amortization deductions from the value of fixed funds;

x) wear and tear relating to nonmaterial assets.

7. Besides this, the following are also reflected in the prime cost of production (work, services):

—losses from spoilage;

—losses from down-time caused by intra-production reasons;

—shortages of material values in production and in stocks within the limits of norms for natural losses;

—allowances paid on the basis of court decisions as a result of losses of working capacity because of work-related injuries.

8. Not included in the prime cost of production (work, services) are expenditures and losses included within profit-and-loss accounting (enumerated in part III of the present Basic Provisions) and also expenditures paid on the basis of profits remaining at the disposal of enterprises and other special purpose receipts, a list of which is given in part IV of the present Basic Provisions.

It is forbidden to include in the prime cost of production (work, services) expenditures for fulfillment by the enterprise itself or payment by it for work (services) not connected with the output production (works connected with the improvement of towns and villages, provision of assistance to agriculture, and other types of work).

Not subject to inclusion in the prime cost of production (work, services) are expenditures for performing work on the construction, equipping, and maintenance (including amortization deductions and outlays for all types of repairs) of cultural and personal-service and other types of installations that are carried on the balance of enterprises, and also work carried out along lines of extending assistance to and participating in the activities of other enterprises and organizations.

9. Expenditures forming the prime cost of production (work, services) are grouped in accordance with their economic content based on the following elements:

—material expenditures (with deduction of the value of returned waste products);

—expenditures for wages;

—deductions to state social insurance;

## NATIONAL ECONOMY

- deductions to mandatory medical insurance;
- amortization of fixed funds;
- other outlays.

10. The composition of material expenditures reflects the value:

- of raw materials and materials obtained from outside sources that go into and comprise the basis of the output being manufactured or are a necessary component in the manufacture of output (performance of work, provision of services);
- of purchased materials utilized in the process of producing products (work, services) for supporting the normal technological process or for packaging production or expended for other production and economic needs (performing tests and controls, maintenance, repair, and operation of equipment, buildings, installations, other fixed funds, and the like), and also spare parts for repair of equipment, wear and tear of tools, devices, inventory, instruments, laboratory equipment, and other means of labor not included among fixed funds, wear and tear of special clothing and other low-priced objects;
- of purchased component articles and semi-manufactures, subjected to further installation or supplementary processing at the given enterprise.
- of work and services of a production character performed by outside enterprises or production units and farms that do not relate to the enterprise's basic form of activity. Work and services of a production nature include performance of individual operations related to the manufacture of output, processing of raw material and materials, carrying out tests for determination of the quality of raw material and materials being utilized, monitoring observance of established technological processes, repair of fixed production capital, and others. Transport services of outside organizations connected with transporting loads within an enterprise (movement of raw material, materials, tools, parts, blanks, and other kinds of loads from the main (central) storage facility to the shops (departments) and delivery of finished output to storage facilities) are also included among services of a production character;
- of expenditures connected with the utilization of natural raw materials, in particular deductions for geological survey and geological prospecting work, for the re-cultivation of land (and also expenditures for wages related to land re-cultivation carried out by specialized enterprises), payments for timber left standing, payment for water taken by industrial enterprises from water distribution systems within established limits.
- of fuel of all types acquired from outside and expended for technological purposes, for the production of all types of energy (electrical, heat, compressed

air, refrigeration, and other types), for heating buildings, for transport operations in support of production that are performed by the enterprise's transportation facilities.

- of purchased energy of all types (electrical, heat, compressed air, cold, and other types), expended on technological, energy, motive, and other production and economic needs of an enterprise. Outlays for production of electrical and other types of energy produced by the enterprise itself, and also for conversion and transmittal of purchased energy to the place of its use are included in corresponding elements of expenditures;
- of losses from shortages of material resources within the limits of norms of natural loss.

The value of material resources reflected in the element of "material expenditures" is based on prices for their acquisition (including payment of interest for acquisition on credit extended by the supplier of these resources), increases in price (additions), commissions paid to suppliers and to foreign trade organizations, and outlays for transportation, storage and delivery performed by outside organizations.

Expenditures connection with delivery (including loading and unloading operations) of material resources using the transportation facilities and personnel of an enterprise itself are to be included within the corresponding elements of production costs (outlays for wages, depreciation of fixed capital, material expenditures, and others).

Included also within the cost of material resources are outlays of enterprises for acquisition of packing containers and packaging (other than wood and cardboard packing) that are obtained from suppliers of material resources, less the cost of these packing materials based on the price of their possible utilization, in cases when the prices of these are specifically set above the price of this resource.

In those cases when the cost of packing materials received from a supplier along with a material resource is included within the price of the latter, the cost of the packing materials, based on the price of its possible utilization or sale (taking into account outlays for its repair under the section on material expenditures) is deducted from the total expenditures for its acquisition.

The value of recovered [vozvratniy] waste products is excluded from expenditures for material resources included in the prime cost of production.

Recovered waste products of production are understood to include leftover raw materials and materials, semi-manufactures, heat-transfer agents and other kinds of material resources formed in the process of producing output (work, services), which have entirely or partially lost the consumer qualities of the original resources (chemical or physical characteristics) and, as a result of

this, the use of which involves increased expenditures (reduced production output) or which are not utilized at all for their direct purpose.

Not considered as waste products are leftover material resources which, in accordance with established technology, are transferred to other shops and subunits as full-quality material for the production of other types of products (goods, services). Also not considered as waste products are accompanying (attendant) products, a listing of which is set forth in sectorial methodical recommendations (instructions) relating to questions of planning, accounting, and calculation of the prime cost of production (work, services).

Recovered waste products are evaluated in the following way:

- on the basis of a reduced cost of the initial material resources (based on the cost of its possible utilization), if the waste products can be utilized for basic production, but with increased expenditures (reduced output of finished products), or for the needs of auxiliary production or the manufacture of consumer goods (cultural and everyday goods and goods for household use);
- on the basis of existing prices for the waste products after deducting outlays for their collection and processing, when the waste products go for treatment within the enterprise or are sold outside;
- on the basis of the full price of the initial material resource if the waste products are sold outside for utilization as a full-quality resource.

11. The element "Outlays for Wages" reflects outlays for the wages of the basic production personnel of an enterprise, including bonuses to workers and employees for production results, incentive and compensatory payments, and also outlays for wages of workers not on the staff of an enterprises that are related to its fundamental activities.

Outlays for wages include:

- payments of wages for work carried out, calculated on the basis of piecework rates, wage rates, and official salary scales in accordance with the wage systems approved for the enterprise;
- the value of output issued as payment in kind to workers engaged in agricultural production;
- additions and supplemental payments to wage rates and salary scales, including for night work, for combination of professions, and for broadening service zones;
- bonuses (including the value of bonuses in kind) for production results;
- the value of public services, meals, and products provided without cost to workers in certain sectors in

accordance with existing legislation, expenditures to pay for the cost-free housing provided workers of enterprises in accordance with existing legislation (monetary compensation for not providing cost-free housing, communal services, etc.);

- the value of objects issued free of cost in accordance with existing legislation (including uniforms and equipment) which remain in their permanent personal possession (or the amount of advantages in connection with their sale at reduced prices);
- payment, in accordance with existing legislation for regular (annual) and supplementary leaves (compensation for unused leave), preferential hours for juveniles, work breaks for nursing mothers, and also for time connected with the fulfillment of state obligations;
- one-time awards for years of service (increments for length of work service in a specialty at a given enterprise) in accordance with existing legislation;
- payments based on regional coefficients and coefficients for work in desert, arid, and high-mountain localities performed in accordance with existing legislation;
- supplements to pay envisaged by legislation for uninterrupted length of service in the regions of the Far North and in localities equivalent to regions of the Far North, in regions of the European North, and in other regions having severe natural and climatic conditions;
- payment in accordance with existing legislation of study leaves granted to workers and employees who are successfully studying in evening and self-study higher and secondary specialized educational institutions, in self-study post-graduate programs, in evening (shift) professional and technical educational institutions, in evening (shift) and self-study general education schools, and also to persons entering post-graduate study;
- payment for time of forced lay-off or fulfillment of lower-paid work in cases stipulated by law;
- additional payments in case of temporary loss of work capability, up to actual earnings established by law;
- payment in accordance with existing legislation, for work on days off and (nonworking) holidays, for overtime;
- the difference between wage rates, paid while temporarily holding a position in an acting capacity;
- payment for work stoppages (for intra-production reasons) not the fault of the worker;
- payment for work based on a labor agreement;
- other expenditures, included in accordance with established procedure in the wage fund (with the exception of expenses for wages financed from profits remaining

at the disposal of enterprises and other special-purpose receipts); For agricultural enterprises (sovkhozes, kolkhozes, and others), payments for annual work totals, determined according to established procedures, are also reflected in the element "Expenditures for Wages" included in the prime cost of production (work, services), determined by established procedures.

12. The element "Deductions to State Social Insurance" reflects deductions in accordance with established norms to state social insurance from expenditures for wages that are included within the prime cost of production (work, services) in accordance with the element "Expenditures for Wages" (other than those types of pay for which insurance payments are not added).

13. Deductions produced in accordance with existing legislation for mandatory health insurance of members of a labor collective, whose pay is included as a part of the prime cost of production (work, services) are designated as a separate element.

14. The element "Amortization of Fixed Capital" reflects the amount of amortization deductions for full recovery, calculated on the basis of the balance value of fixed production capital and of norms approved in the established procedure, also including acceleration of their active part, produced in accordance with the law. For machinery, equipment, and transportation means, the amortization ceases to be added after expiration of a service standard period with the entire value transferred in total to costs of production and turnover.

For enterprises carrying out their activities under conditions of leasing, the element "Amortization of Fixed Capital" reflects amortization deductions for full recovery both for its own and for leased fixed capital.

Also reflected in this element of expenditures are amortization deductions from the value of fixed capital (premises) assigned free of charge to public catering enterprises serving labor collectives.

15. Payments for mandatory insurance of an enterprise's property considered a part of fixed capital, awards for inventions and rationalization suggestions, payment of interest for short-term bank credits (other than interest on overdue and deferred loans and loans obtained to make up deficiencies in an enterprise's own working capital), payment for work relating to certification of production, temporary duty assignment expenses in accordance with established norms, payments to outside enterprises for fire and security protection services, expenditures related to the organized recruitment of workers, expenses for guaranteed repair and services, payment for the services of communications and computer centers, payment for rent in the case that individual items of fixed capital are leased, depreciation relating to nonmaterial items, and also other expenditures included in the prime cost of production (work, services) are assigned to the element "Other Expenses" which comprise the part of the prime cost of production

(work, services) that has not been assigned to earlier enumerated elements of expenditure.

For enterprises forming reserve funds (a repair fund) in order to ensure that an equal level of expenditures for carrying out all forms of repair to fixed production capital that is included within the prime cost of production (work, services), the element "Other Expenses" also reflects deductions to this fund, determined on the basis of the balance value of the fixed production capital and of deduction norms approved by the enterprises themselves for the five-year period.

In all other cases, expenditures for carrying out all types of repairs (current, mid-term, and capital) of fixed production capital are included in the prime cost of production (work, services) in accordance with the corresponding elements of expenditures (material expenditures, outlays for wages, etc.). In the aims of a uniform write-off of expenditures for repair of fixed production capital to the prime cost of production (work, services), their inclusion in prime cost is permitted on the basis of norms established by an enterprise that reflect the difference between the overall cost of repair and the amount assigned on the basis of the norm to the prime cost of production (work, services), in the form of expenditures for future periods.

Payments for mandatory property insurance, and also outlays connected with the marketing (sale) of production (work, services), can be reapportioned from "Other Expenses" to individual elements.

16. Expenditures connected with the production and sale of production (work, services), are grouped on the basis of expenditure items when planning, accounting and calculating the prime cost of production (work, services).

The listing of expenditure items, their composition and methods of distribution by types of production (work, services) are defined by sectoral methodical recommendations for questions of planning, accounting, and calculating the prime cost of production (work, services) taking account of the character and structure of production.

In this connection, the grouping of expenditures by items established for the corresponding sector (subsector, type of activity) should ensure that expenditures connected with the production of individual types of production that can be directly and indirectly included within their prime cost (so called direct expenditures) are distinguished out to the greatest extent possible.

### III. Expenditures and Losses Applicable to the Profit-and-Loss Account

17. Expenditures and losses reflected in the profit-and-loss account include the following:

—expenditures connected with a cancelled production order, and also expenditures for production that has not produced output;

- expenditures for maintenance of temporarily shutdown production capacities and objects (other than expenditures covered by other sources);
- losses and shortages of material values, included finished production, that are above natural-loss norms (in those cases when guilty persons have not been determined or prosecution of whom has been rejected by the courts);
- losses from stoppages for external reasons that are not compensated by the responsible parties;
- losses from price reductions of production supplies and finished products;
- losses from packaging operations;
- court expenses and arbitration collections;
- fines, penalties, forfeits, and other kinds of sanctions for violation of the conditions of economic agreements, and also expenditures connected with the compensation of caused losses (with the exception of sanctions envisaged in party IV of the present Basic Provisions);
- losses from writing off hopeless debts;
- losses connected with operations in past years that are discovered in the current year;
- uncompensated losses from natural calamities (destruction and spoilage of production supplies, finished articles, and other material values, losses from stoppage of production, etc.), including expenditures connected with prevention or correction of the consequences of natural calamities;
- uncompensated losses as a result of fires, accidents, and other extra-ordinary events resulting from extreme situations;
- losses from thefts (where those responsible are not established).

#### **IV. Expenditures covered from profits remaining at the disposal of enterprises and other special purpose receipts**

18. Expenditures covered from profits remaining at the disposal of enterprises and other special purpose receipts include:

- expenses connected with the financing of scientific research, experimental design, technical planning and technological operations (including expenditures for acquisition of licenses, equipment, instrument, and other marketable material values), and also operations connected with creation and assimilation of new technological processes and types of production (other than increased expenditures in the first years of production of new types of production, and also outlays for preparing and assimilating the production of products not planned for series or mass production);

- expenditures of a capital nature connected with improvement in the quality of production, perfection of technology, and the organization of production, and also expenditures of a noncapital nature for these same purposes, connected with the conduct of scientific research and experimental design work and with the creation of new types of raw materials and materials;
- expenditures for financing construction of new installations, expansion, retooling, reconstruction of existing production, acquisition of equipment and other means of production;
- expenditures for financing growth of an enterprise's own working funds, and also for making up shortages in them;
- payment of interest on long-term bank loans, and also on overdue and deferred short-term loans and loans obtained for making up an insufficiency in an enterprise's own working funds;
- outlays for liquidation of long-term bank credits extended to an enterprise;
- outlays connected with the issuance and dissemination of shares, obligations, and other securities (acquisition of blanks, payment of commissions to a bank for their dissemination, etc.);
- expenditures connected with participation in the construction, reconstruction, repair and maintenance of local automobile roads;
- payments of all types of taxes, which in accordance with existing legislation are accomplished on the basis of profits remaining at the disposal of an enterprise;
- payments for the creation of joint investment funds, and also for establishment of joint enterprises, stock companies, and associations;
- expenditures for training and improving the qualifications of personnel (other than expenditures included in the prime cost of production [work, services] in accordance with subpoint "I," point 6, part II of the present Basic Provisions), including partial reimbursement of expenditures for training of young specialists, carried out by an enterprise in accordance with existing legislation;
- expenditures of a capital nature for carrying out environmental protection measures;
- deductions for maintaining the administrative apparatus of intersectoral state amalgamations, associations, concerns, and also other structures of nondepartmental administration;
- outlays for insuring the property of an enterprise (with the exception of expenses for insuring the property envisaged in subpoint "c", point 6, part II of the present Basic Provisions);

- expenses for maintaining buildings and structures (including amortization deductions and expenses for carrying out all types of repair), intended for cultural and education and athletic and recreation work among the workers of an enterprises and the members of their families;
- expenses for maintaining (including amortization deductions and expenditures for all types of repair) premises and inventory made available in accordance with existing legislation to professional and technical schools, master schools, and other educational institutions for educational purposes, trade unions, and other public organizations, and also polyclinics, hospitals, and other medical institutions serving the workers of an enterprise (other than premises and inventory made available for the organization of medical points directly on the territory of an enterprise);
- expenditures for maintaining children's preschool institutions (kindergartens, nurseries), pioneer camps, and labor and rest camps for students in upper classes of general educational schools (including amortization deductions and expenses for all types of repair);
- expenditures for financing construction of housing and other objects having a nonproduction purpose;
- outlays for maintaining higher and secondary education institutions and professional and technical schools that are on the balance of an enterprise;
- expenditures for extending assistance to schools, professional and technical schools, homes for invalids and the elderly, agriculture, etc.;
- expenses to compensate for losses of housing facilities and public utilities that are on the balance of an enterprise;
- expenses for making up the difference in prices for fuel and purchased thermal energy sold to the workers of an enterprise;
- expenditures for organization and development of subsidiary agriculture of an enterprise;
- expenses for compensating for the losses of dispensaries, sanatoria, rest homes, and other health organizations that are carried on the balance of an enterprise;
- expenses for providing benefits to workers and employees in connection with payment to them for travel to place of work by public transportation, suburban trains, departmental buses and vehicles (with the exception of expenditures applicable to the prime cost of production (work, services) in accordance with the present Basic Provisions);
- expenses for maintenance of editorial offices and mass information media (newspapers, radio news stations, and other types of mass information media) carried on the balance of an enterprise for which this activity is not its principal one;
- expenses connected with payment of awards for annual work results and of one time incentives to individual workers for fulfillment of especially important production assignments, with payment for extended (beyond the length established by law) leaves, extension of material assistance to workers and employees, of one-time benefits to retiring heroes of labor, and of dividends based on shares and investments of members of a collective in the property of the enterprise, payment for housing, with payment for reduction in the length of work time for individual workers (beyond that established by existing law) at the decision of the labor collective taking into account special conditions of their labor, with material incentives to workers of organizations providing services to a labor collective, and with other payments and in-kind issues to workers and employees;
- expenses connected with the payment of bonuses for creation, assimilation, and introduction of new technology, for fulfillment of plans for new technology, based on the results of competitions, inspections, and contests aimed at uncovering and utilizing production reserves and improving production efficiency, and also other awards paid according to established procedures from profits remaining at the disposal of an enterprise, or other special-purpose receipts;
- deductions to state social insurance, payments of regional coefficients and coefficients for work in desert, arid, and high-mountain localities in a share corresponding to expenses for wages that are paid on the basis of profits remaining at the disposal of an enterprise;
- payment for annual leaves in a share corresponding to the share of expenses for wages that are paid on the basis of profits remaining at the disposal of an enterprise;
- contributions to the USSR Pension Fund of funds to cover payment of pensions under preferential conditions designated in accordance with points "b" and "c", article 14, of the USSR Law "On Provision of Pensions to Citizens of the USSR";
- expenses for providing meals free of charge or at advantageous prices (other than special meals provided individual categories of workers in cases stipulated by law) in dining rooms (cafete ias), expenses for improving meals provided workers undergoing a course of treatment in dispensaries and children in kindergartens, nurseries, and pioneer and health camps of an enterprise;
- expenses for carrying out health measures and organizing recreation for workers, including the procurement of medicines for treatment and preventive institutions that are on the balance of an enterprise, passes for rest and treatment, for excursions and holiday travel on local routes, and also for carrying out cultural and educational and athletic measures;

- expenses for organizing and equipping collective gardens, for provision of nonreimbursable material assistance to workers for down payments on cooperative and individual housing construction, for provision to young families of interest-free loans for improvement of living conditions, setting up house, and other social needs;
- expenses for bringing full-recovery amortization up to balance value in the case that fixed capital is written off before the expiration of its standard period of service.
- expenses for payment of fines and compensation of loss in the cases of:
- failure to observe requirements for protection of the environment from pollution and other harmful influences, for utilization of natural resources above established limits, and for nonobservance of sanitary norms and rules;
- receipt of unjustified profits as a consequence of excessive increases in prices for products (work, services);
- concealing (understating) earnings or other subjects of taxation;
- other types of fines which, in accordance with existing legislation, are subject to payment into the budget.

#### MVD Official Explains Hard Currency Regulations

914.10753.4 Moscow ARGUMENTY I FAKTY  
in Russian No 19, May 91 pp 1,2

[Interview with Militia Colonel V. Degtyarev, deputy department chief of the USSR Ministry of Internal Affairs State Administration for Combating Theft of Socialist Property and Speculation, by ARGUMENTY I FAKTY correspondent A. Binev: "Dollar Behind Bars"]

[Text] When we turn on a television set or open a newspaper, we often see advertisements offering goods for "freely convertible" currency.

Does this mean that anybody can take advantage of this attractive advertising offer? And, in general, which currency operations are illegal?

Our correspondent A. Binev talked to Militia Colonel Degtyarev, deputy department chief of the USSR MVD [Ministry of Internal Affairs] GUBKhSSS [State Administration for Combating Theft of Socialist Property and Speculation].

[Binev] Do you think we need an "anti-hard-currency" article in the code?

[Degtyarev] At this point, based on economic considerations, we do. Were not our economy in such disastrous shape, we would probably be discussing abolishing this article.

[Binev] However, in the countries of Eastern Europe, which are in a no less critical situation, such a legal norm is a thing of the past. Is it really all that necessary to put a person in whose pocket you discover, say, \$50 U.S., behind bars?

[Degtyarev] Not necessarily put behind bars. More likely are economic sanctions—fines, confiscation of currency—if the deal is determined to be illegal, etc. There is a certain threshold (amount), after the passing of which administrative sanctions are applied, if the deal amount does not exceed the equivalent of 25 rubles [R]. Everything beyond this will result in criminal charges.

There is a USSR Council of Ministers administrative decree No. 712 of 20 July 1990 that permits the free use of hard currency in places designated for such operations (for instance, special stores). It became effective on 1 August 1990.

[Binev] And what are the instances in which hard currency operations are not permitted?

[Degtyarev] Only between private individuals: purchase, sale, exchange, and use of currency as means of payment.

[Binev] Say a person is doing contracted work as a private individual for a foreign company. The representative of this company pays for the job done in foreign currency. Does this bring criminal charges?

[Degtyarev] We would need to know about each particular case and the amount of such a deal. In principle, the currency legislation does not make provisions for paying private individuals in hard currency.

[Binev] Does this mean that a Soviet citizen doing a job for a foreign company for hard currency may be subject to criminal prosecution?

[Degtyarev] I cannot preclude such a possibility. But the work can be paid for through the bank, and then it is legal. The USSR law: "On Hard Currency Regulation" became effective 1 April 1991 (it was adopted on 1 March 1991).

[Binev] And what if the contractor received his remuneration abroad, that is, outside the jurisdiction of Soviet law.

[Degtyarev] This is not prohibited. The law refers only to hard currency regulations on USSR territory.

[Binev] Say the contractor (a USSR citizen on USSR territory) refused to take payment in currency, but was willing to take remuneration in the form of goods. A foreigner goes with him to a hard currency store and in his presence buys an expensive item for hard currency. Then he immediately gives it to the contractor. Is our citizen subject to criminal prosecution?

[Degtyarev] No. The law stipulates that the subject of the deal has to be the hard currency and only hard currency.

Although, of course, this is clearly a camouflaged deal, but we cannot charge an illegal currency operation under such circumstances.

[Binev] Say the contract agreement is consummated in the Soviet Union, and then the foreign partner puts the money into the Soviet citizen's account in a bank abroad. The Soviet citizen gets a credit card for use in the USSR. Can he be prosecuted?

[Degtyarev] If a foreign bank account is opened for him, it is his own business and that of his bank. If he has a credit card in his name, this means that he has an account in the Vneshekonombank [Bank for Foreign Economic Activity] or any other bank, including those abroad. He has a right to use it. The only thing that is prohibited is using somebody else's credit card.

[Binev] Say I have in my "pocket" \$40,000. Can I spend it in a store or in service establishments without fear that I would be required to produce a declaration?

[Degtyarev] You may spend your money in any special store or a hotel. As long as you avoid contact with private individuals.

[Binev] Say I have a cigarette kiosk or some other small business. I am a private individual. Do you suppose I will be subject to criminal prosecution if I conduct my business in hard currency?

[Degtyarev] A head of an enterprise cannot have hard currency as a private individual. His enterprise should have a hard currency account in any bank authorized to handle it.

[Binev] I put the currency in my pocket, got to the market, and buy a pack of cigarettes from a private individual. Is this legal?

[Degtyarev] Both you and he are violating regulations on currency transactions. One of the parties must be a legal entity (for instance, a special store). Then you are welcome to buy things there.

[Binev] Say a militia officer discovers that I have a large sum in hard currency. For instance, during a car inspection by the State Motor Vehicle Inspection—that is, not under incriminating circumstances. Am I going to be punished for possession of hard currency?

[Degtyarev] No.

[Binev] But this currency will be confiscated?

[Degtyarev] Only if it is proven that it was acquired illegally, or if a criminal proceeding is in progress under any article that stipulates, in principle, confiscation of property—including confiscation for the purpose of restitution of damages. Then all valuables are confiscated.

[Binev] So, in this example I do not have to prove the legality of the acquisition of this hard currency?

[Degtyarev] The burden of proof is on the investigative organs—the "presumption of innocence." In your case, it is legal to take you to a militia precinct in order to establish your identity and, if possible, the origin of the hard currency. If we cannot prove that you have violated the law, you keep your money and go free.

[Binev] Besides your department, the KGB is also involved in investigating this type of crime. It is said that you are only entrusted with small cases, while the KGB handles the large ones.

[Degtyarev] We do this work in parallel.

[Binev] Would you agree that it is expensive for the state—to have so many people and so much expensive equipment that duplicate each other?

[Degtyarev] According to the Criminal Process Code, both the KGB and the MVD have the right to investigate "hard currency" crimes. It appears that there are a lot of such crimes, and one organization cannot handle them all.

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**FOR YOUR INFORMATION.** In 1989, the law enforcement organs charged 1,214 persons with violations of hard currency legislation; in 1990 the figure was 1,478. For January-March 1991 it was 438 persons. Not every case resulted in incarceration.

**FROM THE EDITORS.** A paradoxical situation has emerged in our country: "Hard currency" cases exist as long as there is a law that punishes them. It would be interesting to know what costs more to the treasury—the damage resulting from hard currency crimes, or the maintenance of two numerous operating entities engaged in combating them?

## POLICY, ORGANIZATION

### **Ukrainian Gosplan Official on Light Industry, Import-Export Issues**

91407304 Kiev RADYANSKA UKRAYINA  
in Ukrainian 12 Feb 91 p 3

[Interview with Vice-Chairman of the Gosplan of the Ukrainian SSR, Leonid Kornienko, by L. Yanuk: "Happy With What We Have, or Who Is 'Robbing' Us and Can We Survive Without the Union Treaty?"]

[Text] This conversation of our correspondent with the vice-chairman of the Gosplan of the Ukrainian SSR, Leonid Kornienko, was motivated by the urgent need to properly understand and to reply to the questions that are put in the title. Many queries have come to the newspaper from the staff of the republic's enterprises, in particular, regarding interruptions in the functioning of light industry enterprises.

It is not so much the information recently released by the State Statistical Committee of the Ukrainian SSR about the social-economic situation of the republic in 1990, as the daily distresses each of us experiences in the face of empty store shelves, which convince us that the crisis in the economy is still deepening.

[RADYANSKA UKRAYINA] With regard to light industry, we know that the level of production fell by almost 20 percent last year compared to 1989. Therefore, Leonid Yakovych, I suggest that we begin our conversation with the situation of light industry enterprises.

[Kornienko] The main reason for the decline is the breakage of economic links. Let me cite a recent fact: in January, in comparison with January of last year, light industry enterprises lowered their production by 10-30 percent. There are no raw materials. And the republic's light industry provides the market with 15 billion rubles' worth of consumer goods.

[RADYANSKA UKRAYINA] All right, so what has happened to the raw materials for this sector? What has caused this imbalance and how can it now be corrected?

[Kornienko] The goods industry of the Ukrainian SSR was established and developed with orientation towards bringing in raw materials—that is, within the system of the integration of the overall economy of the country. Thus, we bring in 100 percent of our cotton. Let me cite some other figures: of our requirements for artificial fibres, we can satisfy 50 percent; for fur, about 40 percent; for leather and wool, less than that. So you can understand that the breakage of each economic link leaves a deep wound on the body of the still-living organism of the republic and the Union as a whole.

[RADYANSKA UKRAYINA] The picture which you have painted shows this sector as totally dependent in terms of raw materials. Is there any reason for optimism?

[Kornienko] Let me give an unequivocal reply: at present, and in general, our light industry, like many other sectors, cannot function outside of the bounds of the single economic complex of the country. To count on so-called "autonomous" existence is utopian. However, unfortunately, so far we have not succeeded in forming agreements about supplies of the total required volumes, but only for about 80 percent. The treaty campaign has dragged on unacceptably. Especially alarming situations have arisen in the Ministry of Construction, the State Agro-Industrial authority, the Ministry of Lumber, the Ministry of Specialized Construction and the State Press Committee of the Ukrainian SSR.

[RADYANSKA UKRAYINA] Is it so essential for the republic to look for suppliers outside her own borders? Are we so poor? These questions stem from the current belief that the Ukraine is one of the richest countries in the world. Surely I am not mistaken?

[Kornienko] No, you are not mistaken. And nobody who thinks this way is mistaken. The Ukraine is rich, but, first of all, her natural wealth cannot satisfy all the diverse needs of the people. And second, unfortunately, the development of her productive forces was for a long period of time somewhat one-sided. This will have to be corrected and it will take many years.

Now, as to the search for partners-suppliers. As I have already stated, in the conditions of a single economic complex, the volumes of import and export of products among republics are dependent on specialization and cooperation in production, the levels of development of their productive forces. These factors are to a certain extent linked with mineral, raw material and climatic conditions and demographic preconditions, national traditions and capital investment policies, which saw greater investments made in certain republics than in others.

Let me point out that import-export problems have increasingly become subjects of discussion at various levels over the last few years. In order to shed at least some light on the problem, let us analyze some specific data. As the 1990 reports are not yet completed and systematized, I will use data from 1989. But believe me, those figures are not much different from last year's.

Thus, the annual volume of import-export of production in the Ukrainian SSR was R102.6 billion, an increase of R5.8 billion from 1988. Let me stress that over 78 percent of the total exchange of products takes place within the internal union market.

[RADYANSKA UKRAYINA] Let us differentiate: how much did we send out and how much did we bring in? And what kinds of products, goods, raw materials, etc. were these?

[Kornienko] We sent to other republics and out for export R48.1 billion worth of goods and brought in R54.5 billion worth.

[RADYANSKA UKRAYINA] And if we exclude exports?

[Kornienko] With regard to inter-republican exchange, the figures were, respectively, R40.5 and R40.0 billion.

[RADYANSKA UKRAYINA] So there is a difference of half a billion rubles?

[Kornienko] Yes. But in 1988 it was seven times greater. Our republic holds the monopoly in the country with respect to specific, and, incidentally, expensive, forms of production. In particular, in the production of long-distance locomotives, corn harvesting combines and some other forms of production. But even here we are in many ways dependent upon suppliers, for electrical equipment, power engines, radio electronics, etc.

With our own resources, we satisfy practically in total our needs for electrical energy, coal, cement, sugar, meat and dairy products and animal feed, breads, macaroni and other products.

And by bringing in resources from other regions of the country, the Ukraine meets her need for rubber in full, for oil, nonferrous metals, machine tools, tools, automobiles, perfumes and cosmetics—by 60-80 percent; for lumber, pulp and paper, textiles, medical products, electro-technical and cable products—by 40-50 percent.

[RADYANSKA UKRAYINA] So if we calculate on average, we find that about 80 percent of the republic's economy and needs of her population are met with our own production. So to take the view that we should be happy with what we have would be simply unwise?

[Kornienko] Of course, we cannot close ourselves without our own economic framework. And, especially under conditions of the transition to the market, we cannot dispense with established links and agreements with other union republics.

[RADYANSKA UKRAYINA] Recently there has been great interest in the following question: how would the situation of the Ukraine appear if calculations regarding production brought in and sent out were done on the basis of world prices?

[Kornienko] A positive fact that should be noted is the following: in 1989, our deficit in the balance of foreign trade was more than halved. It was equivalent to only 6.3 percent of export receipts. In 1987, it constituted 30.7 percent, and in 1988, 17.3 percent.

If we assume that this tendency in the development of import and export will continue, then the republic will approach self-sufficiency in hard currency.

Unfortunately, the opposite tendency can be seen with regard to inter-republican links. Production which is sent out of the republic is worth, in terms of world prices, R1.4 billion less than in terms of our internal prices. And production which is brought in is, on the contrary, R3.6 billion more expensive in terms of world prices. This

means that if we were to switch to accounting with other republics on the basis of world prices, in 1989, the Ukraine would have lost R5 billion. And this fact very clearly testifies to our growing economic dependence on other republics. This dependence is marked primarily by the fact that we bring in significant volumes of oil and gas, which are relatively the most expensive products on the world market. Their share of the overall volume of inter-republican import at internal prices has stayed at the 1988 level—10.8 percent. If we convert to world prices, we find it has increased from 22.1 to 23.2 percent. Let me add that three-quarters of all oil and gas resources are used for production purposes.

[RADYANSKA UKRAYINA] With what would the Ukraine be able to compensate for these great losses?

[Kornienko] Compensation for spending on oil and gas should come from the products which we have traditionally sent out to other republics, such as ferrous metal products, machine building and food and agricultural products, the weight of which in internal prices is 76 percent. Unfortunately, the present state of affairs in these sectors does not guarantee the required competitiveness.

[RADYANSKA UKRAYINA] And if we consider the problem through the "prism" of the budget? Is the Ukraine not losing the so-called "war of the budgets"? Is someone living at our cost?

[Kornienko] Last year, of the total income in the budget of the Ukraine of R68.4 billion, R27 billion, or 39.5 percent, was given over for all-Union purposes.

This year, according to the calculations, the income in the budget is expected to be R70.5 billion. As the Supreme Soviet of the Ukrainian SSR has passed the Law: "On the Economic Independence of the Ukrainian SSR," it has become possible to limit the sum destined for the Union budget. Thus, we plan to give R18.2 billion, or R8.8 billion less than last year, to help finance all-Union projects. This sum consists of income from external economic activity, taxes from profits of enterprises which fall under Union authority and 30 percent of sales tax.

At the same time, the republic expects to get from the Union budget in 1991 R2.3 billion to pay for measures to eradicate the effects of the Chernobyl AES [nuclear electric power station] accident and R0.2 billion for the resettlement of Crimean Tatars.

It should be noted that the sum which is expected to be transferred to the Union budget has not yet been finalized. When the Supreme Soviet of the Ukrainian SSR passes the laws on the taxation of enterprises and division of property between the Union and the republic, this sum may be decreased. The final amount will be that which, with the agreement of the republic and in accord with the Law of the Ukrainian SSR: "On the Budget System of the Ukrainian SSR," will be directed at paying all-Union expenses.

[RADYANSKA UKRAYINA] Thank you, Leonid Yakovych, for the conversation.

**Belorussian Council of Ministers First Deputy Chairman Fields Workers' Economic Questions**  
*914.40739.4 Minsk SOVETSKAYA BELORUSSIYA in Russian 20 Apr 91 pp 1, 3*

[Report by the Information Service of the Belorussian SSR Council of Ministers on responses to questions from a rally in Minsk on 11 April 1991 by M.V. Myasnikovich, first deputy chairman of the Belorussian SSR Council of Ministers: "A Dialogue: The People—The Government"]

**[Text] Rallies on Lenin Square in Minsk have quieted down. Common sense has prevailed: strikes have been discontinued.**

These events have explained many things. However, to this day the people are asking themselves questions that continue to arise and are making proposals on overcoming the critical economic situation of various strata of population of the republic. The multitude of notes handed to M.V. Myasnikovich, first deputy chairman of the Belorussian SSR [Soviet Socialist Republic] Council of Ministers, at a rally on 11 April of this year are a case in point. At the same time, the working people demanded that the answers to them be presented in the mass media.

M.V. Myasnikovich is now responding to the notes from participants in the rally.

[Question] Retiree Sadovskaya: I receive a monthly retirement benefit of 80 rubles [R]. My proposal is to increase the retirement benefit.

[Myasnikovich] Effective 1 April 1991, retirement benefits for nonworking retirees were increased by R65 a month in conjunction with an increase in retail prices for consumer goods.

In addition, pursuant to the USSR Law on Retirement Payments to Citizens in the USSR, all previously granted retirement benefits will be recomputed effective 1 January 1992, in keeping with the standards of this law, on the basis of work tenure. A similar Belorussian SSR law is being prepared at present.

[Question] Why was the sales tax not abolished fully in the Belorussian SSR?

[Myasnikovich] The sales tax was introduced by an ukase of the president of the country. Republics were given the right to introduce preferences with regard to individual goods. The Belorussian SSR Council of Ministers exercised this right by Resolution No. 100 dated 22 March 1991, pursuant to which, effective 2 April 1991, sales tax is no longer collected on the sale of the main foodstuffs, nonfood goods for children, services for the upkeep of the housing stock and dormitories, and the maintenance of children in preschool establishments.

Sales tax is not collected on the sale of self-produced products by public catering enterprises.

At the same time it is impossible to fully abolish this tax in an individual territory, because if that were the case it would be necessary to reimburse enterprises from the budget for expenditures associated with the payment of taxes by them on taxed goods which are shipped in from beyond the republic. This is more than R1 billion. Such funds are not available in the republic's budget.

[Question] Does the government intend to reduce the rate of the tax on enterprises' profits?

[Myasnikovich] In keeping with decisions made in this regard, the rate of tax on the profits of enterprises and organizations has been reduced from 45 to 35 percent, beginning with the results of operations in the second quarter of this year.

[Question] Why is income tax collected on additional payments?

[Myasnikovich] Compensations offsetting additional expenditures in conjunction with retail price increases, paid as special additions to wages in the amount of R60, are tax-exempt. After pay rates and salaries are increased, the tax-exempt income level will be increased from R100 to R160.

[Question] What are the taxes on singles and those without children used for?

[Myasnikovich] These funds are transferred to local budgets and are used to fund expenditures envisaged on the expenditure side of the budgets by decisions of the local soviets of people's deputies.

[Question] Where will enterprises get funds to pay remuneration for labor?

[Myasnikovich] The payment of wages depends directly on the volume of products manufactured and sold by the enterprises. The enterprises need to meet outlays (material expenditures) for the manufacture of products with proceeds from sales. The remaining funds are the source for the payment of remunerations and incentives to labor collectives.

[Question] Who is going to pay for expenditures associated with workers having to halt production?

[Myasnikovich] Enterprises that did not operate in conjunction with the strike will suffer losses due to halting production.

[Question] How much does the maintenance of the Communist Party of Belorussia apparatus cost the people?

[Myasnikovich] The Communist Party of Belorussia apparatus is maintained with funds from the party budget.

[Question] How much does one have to make a month in order to buy a R460 suit in a shop?

[Myasnikovich] The average monthly wage in 1991 came to R281.9 for industrial production personnel, including R272.2 for workers, and R325.1 for clerical employees and specialists. At the first stage of the wage increase it is envisaged increasing them, taking the minimal R60 compensation into account, by 44.5 percent, or to R407.3. In addition a number of compensation payments exist, out of profits that remain at the disposal of the enterprises, and may be introduced by the enterprises.

[Question] Why were benefits abolished for those who have more than R140 per month per family member?

[Myasnikovich] The issue is raised erroneously. The benefits were not abolished. Quite the contrary, all benefits were increased, and the group of those receiving them was expanded. Previously, families with incomes under R140 per capita were entitled to benefits, whereas now all families with children will be given this right, regardless of their total income per capita.

[Question] How can one make more money given current pay rates? Who should increase wages—the government or the management of the enterprises?

[Myasnikovich] The management of the enterprises should undertake efforts to revise pay rates and position salaries. It is envisaged that the existing pay rates and pay scales be revised in conjunction with the increase in retail prices and the payment of compensation by increasing them by the amount of compensation, but no less than R60. Calculations indicate that even if R60 is included in the pay scales, the increment of wages will amount to about R120 due to bonuses and other additional payments (night shifts, working conditions, and so on).

[Question] Why does our republic have the highest productivity of labor and the lowest wages among the Union republics?

[Myasnikovich] The Belorussian SSR ranks eighth among the Union republics in terms of level of average monthly wages in industry. The difference between ours and the maximum level (Estonia) comes to R70. The increment of wages in 1990 came to 12.9 percent. The republic ranks third on this indicator, whereas the increment of labor productivity amounted only to 3.9 percent.

[Question] When will freely set prices be abolished?

[Myasnikovich] Freely set prices are a requirement of the market. It has been resolved to allow freely set prices for only a segment of products during transition to a market economy. The sphere of use of these prices will be expanded as market relations develop.

[Question] Why does a public transit pass cost R5.20 in Sverdlovsk, R6 in Moscow, and R8 in Minsk?

[Myasnikovich] As is known, the cost of one trip by public transit in both Minsk and Moscow comes to R0.15. The price of a public transit pass for one mode of transportation in, for example, Kiev amounts to R9. In some places, it is less. It is possible that the local soviets fund some of the outlays.

[Question] Can you assure us that prices will not increase again in half a year?

[Myasnikovich] We are proceeding toward the market. Prices will drop when there is competition and an abundance of goods. If a number of goods and products remain in short supply, prices for them will have to be increased in order to avoid speculation.

[Question] Everything that we produce is siphoned away to somewhere. Explain where to.

[Myasnikovich] Except for agricultural raw materials, the republic has a poor fuel, energy, and metallurgical base of its own, and insignificant reserves of a number of mineral resources. This is why all coal, gas, caustic soda and soda ash, and cotton are shipped into the republic from other regions of the country and by way of imports, as well as 85 to 90 percent of rolled ferrous metals, oil, wool, other types of raw materials, and a number of industrial and agricultural products. Counterdeliveries from the republic are made mainly in the form of highly upgraded industrial products—more than 95 percent of tractors and trucks, 90 percent of motorcycles, more than 80 percent of TV sets and refrigerators, one quarter of meat and dairy products produced with raw materials from state stocks, and a considerable segment of other products. This is one of the reasons for the low level of availability of goods to the populace of the republic.

The republic on the whole, that is, as a territory, regardless of the institutional affiliation of enterprises, generates about R15 billion in profits on its operations. Some of these profits—68 percent, or about R10 billion—are left at the disposal of enterprises; R4.6 billion, or 29 percent, is contributed to all budgets, in particular, R1.3 billion, or 8.5 percent, to the Union budget, R1.5 billion, or 10 percent, to the republic budget, and R1.8 billion, or 10.5 percent, to the local budgets. In addition, another R8 billion in turnover taxes are included in income revenues. Out of this, 30 percent is contributed to the republic budget, and the remaining 70 percent to the local budgets. These revenues form budgets which are strictly specified by the Belorussian SSR Supreme Soviet and the local soviets of people's deputies and are confirmed by them. In particular, the Belorussian SSR Supreme Soviet adopted for this year expenditures of the republic budget alone in the amount of R8.5 billion, which is almost 24 percent, or R1.6 billion, more than revenues.

[Question] How much oil is produced in the Belorussian SSR at present?

[Myasnikovich] In 1990, 2.054 million tons of oil were produced in the republic.

[Question] What does the government do for the enterprises of the defense industry to switch to the production of peacetime products? Why is the issue of their transfer to the jurisdiction of the republic not raised?

[Myasnikovich] As a result of conversion in the past two years the enterprises and associations of defense industries in our republic increased the production of color TV sets by a factor of 1.2, and the production of car radio-cassette players and cassette players by a factor of more than 1.5. The output of car radios and electric juice-makers increased by a factor of more than two, and that of washing machines and electric meat grinders by a factor of more than three. The production of personal computers and equipment for computer labs for schools and educational establishments based on them was mastered, as well as the production of radiometers and dosimeters, new models of household electronic clocks, cameras, refrigerators, and TV sets of the fifth and sixth generation. The manufacture of other goods for cultural, domestic, and household uses was set up as well. In this five-year plan it is planned to introduce and mass-produce satellite TV antenna systems, new models of fifth and sixth generation TV sets, electronic automatic phone exchanges, and a number of sophisticated medical equipment products. By now, the volume of civilian products being manufactured has increased appreciably. The issue of transferring enterprises and associations of the defense industries to the jurisdiction of the republic has been raised repeatedly with the managers of the latter. However, no favorable resolution has been achieved to date due to the republic lacking the necessary opportunities to ensure complete and reliable material and technical supplies for them.

### **Belorussian Banking Legislation Issued**

#### **Law on National Bank**

914407014 Minsk SOVETSKAYA BELORUSSIYA  
in Russian 28 Dec 90 p 2

[Law adopted by the Supreme Soviet of Belorussian SSR, signed by N. Dementey, president of the Supreme Soviet of Belorussian SSR, in Minsk, 14 December 1990: "Law of the Belorussian Soviet Socialist Republic 'On the National Bank of Belorussian SSR'"]

[Text] This law defines the functions and tasks of the National Bank in the financial and credit system of Belorussian SSR and creates the legal basis for its operation

#### **Section I. General Provisions**

**Article 1.** The National Bank of Belorussian SSR is the central bank of Belorussian SSR, it is the property of the republic, and it is subordinate to the Supreme Soviet of Belorussian SSR. It acts exclusively in the interests of Belorussian SSR.

**Article 2.** The main tasks of the National Bank of Belorussian SSR are to regulate the circulation of money,

to coordinate the credit and money sphere, and also to support and develop credit institutions in keeping with the state policy of Belorussian SSR to effectively realize the republic's economic potential.

**Article 3.** The National Bank of Belorussian SSR is a juridical person, it has its own bylaws, approved by the Supreme Soviet of Belorussian SSR, its seal bearing the image of the State Emblem of Belorussian SSR and the inscription "Natsionalnyy bank Belorusskoy SSR [National Bank of Belorussian SSR]."

**Article 4.** The National Bank of Belorussian SSR is independent in its activity and within the limits of the powers granted it by the present Law, other laws of Belorussian SSR, decrees of the Supreme Soviet of Belorussian SSR, and its own Statute. State authorities do not have the right to intervene in the activity of the National Bank of Belorussian SSR performed within the limits of its powers.

The National Bank of Belorussian SSR possesses the right of legislative initiative in the Supreme Soviet of Belorussian SSR.

**Article 5.** The National Bank of Belorussian SSR, jointly with the Government of Belorussian SSR, annually drafts and submits to the Supreme Soviet of Belorussian SSR the draft proposal of the main directions of money-and-credit policy for the coming year and also a report on its realization for the current year.

**Article 6.** The National Bank of Belorussian SSR is not liable for the obligations of the Government of Belorussian SSR, likewise the Government of Belorussian SSR is not liable for the obligations of the National Bank of Belorussian SSR excepting the cases envisaged by law, or when the bank assumes such liability. The National Bank is prohibited from extending credits to the Ministry of Finance of Belorussian SSR and to other bodies of government to finance the budget deficit.

**Article 7.** The National Bank of Belorussian SSR has its charter fund, reserve fund, and other funds, which serve to back up its obligations, and it creates other funds for various purposes. The types, size, and procedure for formation and use of funds are regulated by the bylaws of the National Bank of Belorussian SSR.

**Article 8.** Within the limits of the authority granted it, the National Bank of Belorussian SSR issues normative enactments and other instructions binding on all commercial banks and other credit institutions (hereinafter referred to as "commercial banks") operating on the territory of Belorussian SSR.

**Article 9.** A board consisting of chairman, his deputies, and members is created to manage the National Bank of Belorussian SSR.

The chairman of the board of the National Bank of Belorussian SSR is nominated by the president of the

Supreme Soviet of Belorussian SSR and appointed by the Supreme Soviet of Belorussian SSR for a term of six years.

The chairman of the board of the National Bank of Belorussian SSR participates in meetings of the Council of Ministers of Belorussian SSR and is entitled to an advisory vote.

The deputy chairmen and members of the board of the National Bank of Belorussian SSR are nominated by the chairman of the board of the National Bank of Belorussian SSR and confirmed by the Presidium of the Supreme Soviet of Belorussian SSR.

**Article 10.** Employees of the National Bank of Belorussian SSR may not have a second job or work under contract in commercial organizations.

Employees of the National Bank of Belorussian SSR may obtain credits only in that bank.

Employees of the National Bank of Belorussian SSR may not divulge official information obtained in performance of official duties.

**Article 11.** The National Bank of Belorussian SSR constitutes a single centralized system and consists of the central headquarters and its subordinate branches, as well as enterprises and organizations.

**Article 12.** The National Bank of Belorussian SSR and its branches realize their income exclusively from banking activity, and they may not be stockholders in commercial banks and enterprises, with the exception of Vneshekonombank of Belorussian SSR and banks abroad. The National Bank of Belorussian SSR makes its expenditures out of its income.

The National Bank of Belorussian SSR and its branches are exempted from payment of taxes, levies, and duties of all kinds (including stamp and customs duties).

Every year, the National Bank of Belorussian SSR submits its plan for distribution of its profit to the Supreme Soviet of Belorussian SSR for its approval.

**Article 13.** The activity of the National Bank of Belorussian SSR and its branches is annually reviewed by an auditing organization by order of a commission of the Supreme Soviet of Belorussian SSR.

**Article 14.** The National Bank of Belorussian SSR annually submits a report on its performance, its balance sheet, and the summary balance of the republic's banking system to the Supreme Soviet of Belorussian SSR. After approval by the Supreme Soviet, the balance sheet of the National Bank of Belorussian SSR and the summary balance for the banking system of Belorussian SSR are published in the press.

**Article 15.** The National Bank of Belorussian SSR establishes the amount of bookkeeping and statistical

reporting it needs to perform its monitoring functions and which is to be submitted by commercial banks.

Information obtained in the course of bank monitoring is considered confidential.

The National Bank of Belorussian SSR does not intervene in the operational activity of the commercial banks.

**Article 16.** The principal functions of the National Bank of Belorussian SSR are as follows:

- regulation of money and credit;
- organization of interbank settlement and cash service of the commercial banks;
- organizing, jointly with the Ministry of Finance of Belorussian SSR, the cash fulfillment of the state budget through the commercial banks;
- registration of commercial banks and monitoring their adherence to the mandatory quotas established and their application of bank legislation and the normative enactments issued by the National Bank of Belorussian SSR;
- monitoring the opening of affiliates and representative offices of foreign banks on the territory of the republic;
- regulation of bank activity in foreign economic affairs;
- regulation of the credit market;
- enforcement of uniform accounting and reporting procedure in the republic's banking system.

## Section II. Regulation of Money and Credit

**Article 17.** The National Bank of Belorussian SSR possesses the exclusive right to put currency into circulation (note issue) and withdraw it from circulation on the territory of the republic.

The National Bank of Belorussian SSR regulates the noncash issuance of money in the process of monitoring deposit-and-loan operations. It is prohibited to use the issue of cash or noncash money to finance the deficit in the state budget.

**Article 18.** Currency is issued according to the procedure established by the National Bank of Belorussian SSR.

**Article 19.** The National Bank of Belorussian SSR regulates the amount of money in circulation in accordance with the main directions of the money-and-credit policy of Belorussian SSR for the coming year by means of the following:

- establishment of mandatory economic quotas for commercial banks;
- changing the interest rates of the National Bank of Belorussian SSR on its loans;
- changing the amount of credit to be granted to the commercial banks;
- purchase and sale of securities and foreign exchange;
- refinancing banks by extending them short-term credits;

- conducting operations with state securities on the open market.

**Article 20.** The National Bank of Belorussian SSR establishes the following economic quotas for commercial banks:

- the minimum size of the charter fund;
- the maximum ratio between the bank's own resources and the sum of its assets;
- indicators of the liquidity of the balance sheet;
- the size of mandatory reserves to be placed in the National Bank of Belorussian SSR;
- the maximum level of risk per borrower;
- limitation of the size of the foreign exchange risk and exchange rate risk.

The National Bank of Belorussian SSR defines the procedure for formation of mandatory insurance funds and reserve funds of banks to make up possible losses of juridical persons. These funds are formed out of the revenues of the relevant banks.

The National Bank of Belorussian SSR has the right to establish maximum levels of interest rates on deposits and credits of commercial banks in order to stabilize the situation on the market for credit resources.

**Article 21.** The National Bank of Belorussian SSR participates in management of the USSR Foreign Exchange Fund (including Gold Reserves and the Diamond Fund), in establishing the official rate of the ruble against other currencies, and in regulating the ruble's market rate.

### Section III. Operations of the National Bank of Belorussian SSR

**Article 22.** The National Bank of Belorussian SSR may perform the following operations:

- extend short-term credits to the Government of Belorussian SSR and also to local bodies of government without security for a period not to exceed six months;
- extend short-term secured credits to commercial banks;
- discount promissory notes, bills of exchange, and other money obligations. The notes and bills must originate in commodities (with a term of at least six months) and must be covered by the acceptance of first-class banks, which are put on a special list by the National Bank of Belorussian SSR;
- the purchase and sale of gold, other valuables, metal in bars, native form, and other forms on its own account and by order, and also foreign currency;
- the purchase and sale on the market of state securities within the limits of regulating money and credit;
- the collection and storage of bank notes;
- the acceptance of valuables for safekeeping;
- the handling of transfers and other settlement operations;
- the issuance of guaranties;

- the taking of credits and the issuance of securities abroad;
- the extension of credits to its employees;
- and the performance of other operations in accordance with law.

### Section IV. Creation and Liquidation of Commercial Banks

**Article 23.** The National Bank of Belorussian SSR registers commercial banks created on the basis of joint stock or shares with consent of local soviets of people's deputies.

To obtain permission, the founders submit an application containing the economic justification and data on the professional fitness of the managers of the commercial bank, as well as the bank's bylaws. In addition, when a state commercial bank is being created, a copy of the decision of the executive body and policy-making body of the state authority creating the bank is submitted; when a joint bank involving the participation of a foreign founder is being created, the decision of the appropriate foreign founder and monitoring body concerning participation in the creation of the joint bank in Belorussian SSR is also appended.

The application to obtain a permit to carry on banking activity is examined within 30 days.

The National Bank of Belorussian SSR also regulates the creation of subsidiaries and representative offices of foreign banks in the republic.

The National Bank of Belorussian SSR institutes measures aimed at preventing the organization of bank alliances and associations aimed at restricting competition in the banking industry, at fixing interest rates and the level of commissions.

**Article 24.** The National Bank of Belorussian SSR is entitled to refuse to issue a permit to create a bank in the following cases:

- if the bank's bylaws and other documents do not conform to laws of Belorussian SSR;
- if the financial condition of the founders is unstable and threatens the interests of depositors and creditors of the bank (based on the conclusion of an auditing organization).

**Article 25.** The National Bank of Belorussian SSR may order a full or selective examination of the operations of commercial banks.

An examination or analysis of the activity of commercial banks is conducted by the auditing service of the National Bank of Belorussian SSR or an auditing organization authorized to conduct them.

When violations by any commercial bank of quotas established in accordance with this Law are detected, the

National Bank of Belorussian SSR prescribes the periods of time and other conditions for correction of the violations.

In case of systematically recurring violations of the quotas established and failure to carry out the prescriptions of the National Bank of Belorussian SSR, if losses occur in the year-end results or if a situation comes about which threatens the interests of a bank's creditors, the National Bank of Belorussian SSR may raise the question of the following with the founders (participants) of the commercial bank or with the appropriate state entity:

- performance of measures for the bank's financial recovery;
- reorganization of the bank;
- replacement of the bank's management;
- liquidation of the bank.

The National Bank of Belorussian SSR may as an economic penalty increase the quota of mandatory reserves for commercial banks which have violated the established quotas, may confiscate funds on an uncontested basis, and may apply penalties in the form of fines.

The National Bank of Belorussian SSR has the right to decide on the mandatory liquidation of commercial banks in the following cases:

- delay of the commencement of activity of the bank for more than six months from the date of registration;
- a bank's violation of laws of Belorussian SSR or its bylaws in the conduct of banking operations.

**Article 26.** The National Bank of Belorussian SSR keeps a register of banks in the republic.

Newly created commercial banks and also subsidiaries of foreign banks acquire the status of a juridical person from the date of their registration.

When a bank or the subsidiary or representative office of a foreign bank is liquidated, the relevant entry in the register is removed. The register of banks is published in the press annually, reflecting the status as of 1 January.

**Article 27.** The National Bank of Belorussian SSR has the right to declare the bankruptcy of commercial banks which have not been meeting their obligations to creditors (customers). Settlement with creditors of a bankrupt bank is conducted in accordance with current legislation.

**Article 28.** The decisions of the National Bank of Belorussian SSR to refuse to issue a permit or concerning mandatory liquidation of commercial banks may be contested in the courts by the founders of banks.

#### Section V. Relations of the National Bank of Belorussian SSR With the Monetary-and-Credit Systems of the World and the Union

**Article 29.** The National Bank of Belorussian SSR, in conformity with legislation of Belorussian SSR, participates in the monetary-and-credit systems of the world and the Union.

[signed] *N. Dementey, President, Supreme Soviet of Belorussian SSR, Minsk, 14 December 1990*

#### Decree on National Bank

914.40701B Minsk SOVETSKAYA BELORUSSIYA  
in Russian 28 Dec 90 p 2

[Decree of the Supreme Soviet of Belorussian SSR issued in Minsk, 21 December 1990, and signed by N. Dementey, president of the Supreme Soviet of Belorussian SSR: "Decree of the Supreme Soviet of Belorussian SSR 'On the National Bank of Belorussian SSR and Banks on the Territory of the Republic'"]

[Text] Guided by the Declaration on the Sovereignty of the Belorussian Soviet Socialist Republic, the Supreme Soviet of Belorussian SSR decrees as follows:

1. The following are declared the property of the Belorussian Soviet Socialist Republic: the Belorussian Republic Bank of USSR Gosbank [State Bank], the Belorussian Republic Bank of USSR Promstroybank [Industrial Construction Bank], the Belorussian Republic Bank of USSR Agroprombank [Agroindustrial Bank], the Belorussian Republic Bank of USSR Zhilotsbank [Bank for Housing and Municipal Services and Social Development], the Belorussian Republic Bank of USSR Vneshekonombank [Bank for Foreign Economic Activity], the Belorussian Republic Bank of the USSR Savings Bank, with their computer centers, institutions, enterprises, and organizations, with all their assets and liabilities, and also the Belorussian Republic Administration for Collection of USSR Gosbank, with its subordinate network of institutions and organizations.

2. The National Bank of Belorussian SSR is to be created from the Belorussian Republic Bank of USSR Gosbank and the specialized republic banks of USSR Zhilotsbank, USSR Agroprombank, and USSR Promstroybank. Formation of the National Bank of Belorussian SSR is to be completed by 1 April 1991.

The Planning Commission and Budget and Finance Commission of the Supreme Soviet of Belorussian SSR and the National Bank of Belorussian SSR are to prepare within one month the draft of the bylaws and submit it for approval to the Supreme Soviet of Belorussian SSR, to define the staff structure and size for administration of the National Bank of Belorussian SSR and to submit them for approval to the Presidium of the Supreme Soviet of Belorussian SSR.

3. The Belorussian Republic Bank of the USSR Savings Bank is to be transformed into the State Commercial Savings Bank of Belorussian SSR.

The Savings Bank of Belorussian SSR is to draft its bylaws and duly submit them for approval and registration.

4. The Belorussian Republic Bank of USSR Vneshekonombank is to be transformed into the joint stock

commercial Bank for Foreign Economic Activity of Belorussian SSR (Belvneshekonombank).

5. By 1 April 1991, commercial banks on a joint stock basis or shares are to be formed from the branches of the banks USSR Promstroybank, USSR Agroprombank, and USSR Zhilsotsbank.

The process of commercialization of the banks is to be conducted in an organized manner. Liquidation commissions are to be created in the republic, in the oblasts, and in the city of Minsk.

6. The Council of Ministers of Belorussian SSR, oblast, rayon, and city soviets of people's deputies, and interested founders, jointly with the collectives of the branches of the specialized banks, are to solve the problems of commercialization of the banks in accordance with the Law of Belorussian SSR on Banks and Banking Activity in Belorussian SSR.

7. Within a period of three months, the National Bank of Belorussian SSR is to reregister the commercial banks and their branches (subsidiaries) operating on the territory of the republic.

8. The National Bank of Belorussian SSR, the Belorussian republic banks of USSR Agroprombank, USSR Zhilsotsbank, USSR Promstroybank, USSR Sberbank, and USSR Vneshekonombank are to determine the republic's share in the charter funds, reserve funds, and other funds of USSR Gosbank, USSR Agroprombank, USSR Zhilsotsbank, USSR Promstroybank, USSR Sberbank [Bank for Labor Savings and Credit to the Population], and USSR Vneshekonombank, and the mechanism for transferring the respective shares of those funds to the National Bank of Belorussian SSR.

9. The laws of Belorussian SSR "On the National Bank of Belorussian SSR" and "On Banks and Banking Activity in Belorussian SSR" and this decree are to take effect on 1 January 1991. Until such time as legislation of Belorussian SSR is brought into conformity with these laws, it remains in effect insofar as it does not contradict those laws.

[signed] N. Dementey, President, Supreme Soviet of Belorussian SSR, Minsk, 21 December 1990

#### **Belorussian Law on Banks, Banking Activity**

91440701C Minsk SOVETSKAYA BELORUSSIYA  
in Russian 28 Dec 90 pp 2-3

[Law adopted by the Supreme Soviet of Belorussian SSR, signed by N. Dementey, president of the Supreme Soviet of Belorussian SSR, in Minsk, 14 December 1990: "Law of the Belorussian Soviet Socialist Republic 'On Banks and Banking Activity in Belorussian SSR'"]

[Text] This Law defines the economic and legal foundations of the activity of the banking system of Belorussian SSR, which consists of the National Bank of Belorussian

SSR, commercial banks (state, joint stock, and cooperative), and other credit institutions. The Law delineates the functions of the National Bank and the commercial banks.

The present Law permits the opening and operation of banking institutions of other states.

The force of the Law extends to all credit institutions located on the territory of Belorussian SSR.

#### **Section I. General Provisions**

**Article 1.** Banks are defined as state, joint stock, cooperative, and other institutions attracting money resources and placing them in the form of credit and also performing other operations in accordance with this Law.

**Article 2.** Banks are guided in their activity by this Law, the Law on the National Bank of Belorussian SSR, other legislative and normative enactments in effect on the territory of Belorussian SSR, and also by their own bylaws.

**Article 3.** Banks are independent in their activity, and the bodies of government do not have the right to intervene in it.

The banks are not liable for the obligations of the state, nor is the state liable for the obligations of the banks unless an agreement providing otherwise has been concluded between the bank and the relevant state entity or the state has assumed such liability.

**Article 4.** Banks in Belorussian SSR may engage in the following operations:

- accept and place deposits;
- extend and obtain credits;
- discount notes and bills, checks, and other money obligations;
- purchase and sell securities on their own account;
- issue guarantees;
- render intermediary and consulting services;
- acquire and relinquish money claims (including factoring operations);
- purchase and sell foreign currency on its own account;
- leasing;
- settlements and transfers on customer order;
- finance capital investments by order of the owners or disbursing agents of the funds being invested;
- commission deals;
- acceptance of valuables for safekeeping;
- management of assets with power of attorney;
- operations in rendering services to participants in foreign economic relations on the basis of a license of the National Bank of Belorussian SSR;
- and conduct other operations.

**Article 5.** The bylaws of banks are approved according to the procedure envisaged by legislation of Belorussian SSR for organizations created on the basis of joint stock or shares.

The bank's bylaws must contain the following: the name of the bank, its location, a list of the banking operations to be performed, legal status, including an indication that the bank is a juridical person and operates on the basis of economic and commercial accounting, the size of the charter fund and other funds formed by the bank, the procedure for the formation of property, the bank's governing and auditing bodies, their powers, and the conditions for the organization and termination of the bank's activity.

The bylaws of banks are prepared in accordance with recommendations of the National Bank of Belorussian SSR and may include other provisions related to the particular features of the banks' activity provided they do not contradict legislation of Belorussian SSR.

Banks are required to notify the National Bank of Belorussian SSR of all changes made in the bylaws, for the purpose of its consent.

**Article 6.** Commercial banks, their institutions (representative offices, departments, and branches), and other credit institutions located on the territory of the republic pay state and local taxes, levies, and state duties in the amount and according to the procedure established by legislative enactments of Belorussian SSR.

**Article 7.** Banks and other credit institutions located on the territory of Belorussian SSR publish an annual balance sheet and profit-and-loss statement in the form and by the dates established by the National Bank of Belorussian SSR after the authenticity of the information contained in them has been confirmed by an auditing organization.

## Section II. The Banking System of Belorussian SSR

**Article 8.** The banking system of Belorussian SSR has two levels and consists of the National Bank of Belorussian SSR and the commercial banks and other duly registered institutions.

The activity of the republic's National Bank is regulated by the Law on the National Bank of Belorussian SSR.

**Article 9.** The Savings Bank of Belorussian SSR is a state commercial bank. Its bylaws are approved by the Council of Ministers of Belorussian SSR.

The Savings Bank of Belorussian SSR attracts deposits of uncommitted money resources of individuals, performs their orders to make various payments, and also conducts other banking operations envisaged by this Law.

The money resources of individuals attracted by the Savings Bank of Belorussian SSR in the form of deposits are placed, subject to the quota established by the Supreme Soviet of Belorussian SSR, on market conditions in obligations of the republic or in the National Bank of Belorussian SSR, and they are also used for extending credit to individuals and for other activity envisaged in Article 4 of this Law.

**Article 10.** The Bank for Foreign Economic Activity of Belorussian SSR (Vneshekonombank of Belorussian SSR) is a joint stock commercial bank. The controlling block of stock belongs to the budget of Belorussian SSR, and the National Bank of Belorussian SSR acts as its governing agency.

## Section III. Commercial Banks, Their Creation and Termination of Their Activity

**Article 11.** Commercial banks are created by founders (juridical and natural persons), and they acquire the right to operate and the status of a juridical person as of the date of registration in the National Bank of Belorussian SSR.

**Article 12.** Commercial banks are juridical persons and function on the principles of economic-commercial accounting in the context of business competition. The banks independently define the procedure for attracting and using money resources, for conducting other banking operations, and the level of interest rates and service charges.

**Article 13.** In agreement with local government entities, commercial banks may open branches and representative offices and endow them with rights within the limits of its competence (bylaws).

**Article 14.** Commercial banks may create alliances, trade associations, and other associations to coordinate their activity, to protect the interests of their members, and to carry out joint programs.

The alliances and trade associations of commercial banks, as represented by their republic entities, possess the right of legislative initiative in the Supreme Soviet of Belorussian SSR.

**Article 15.** Commercial banks perform their activity on the basis of their own resources, resources they have mobilized, and resources which they have obtained from other banks.

They may conduct the operations of selling and purchasing resources both on the territory of the republic and also outside it.

**Article 16.** The "own" resources of commercial banks consist of the charter fund, the reserve fund, the insurance fund, the foreign exchange fund, and other funds. The minimum size of the charter fund of the commercial bank is established by the National Bank of Belorussian SSR.

**Article 17.** The activity of commercial banks is terminated by decision of their founders and also in other cases envisaged by legislation.

The property of a liquidated bank, after settlement to pay remuneration to the personnel of the bank and to

discharge obligations to natural persons who are depositors, to the budget, banks, and other creditors, is distributed among the stockholders (shareholders) in proportion to their share as of the date of liquidation (or according to some other procedure set forth in the bank's bylaws).

The declaration of termination of the bank's activity is published in the press.

#### Section IV. Organization of the Activity of Commercial Banks

**Article 18.** Commercial banks hold uncommitted money resources in accounts in the National Bank of Belorussian SSR.

**Article 19.** Settlements are made between commercial banks through correspondent accounts opened by those banks in the National Bank of Belorussian SSR.

**Article 20.** Commercial banks credit a portion of their credit resources to reserve accounts in the National Bank of Belorussian SSR on the basis of quotas established by the National Bank of Belorussian SSR.

**Article 21.** Relations of commercial banks with their customers are structured on a contract basis. Customers independently choose banks for credit and settlement services. The closing of an account of a juridical person in a bank takes place within the time stated by the customer, but not later than 30 days following notice of this to the bank's branch.

Banks may not refuse a customer settlement and cash services if this service is envisaged by the bank's bylaws.

**Article 22.** Commercial banks guarantee the secrecy of operations, accounts, and deposits of their customers. The certificates on operations and accounts of juridical persons may be issued to the juridical persons themselves, to the courts, to investigating bodies, to arbitration entities, to the National Bank of Belorussian SSR, to auditing organizations, and also to financial authorities on matters of taxation.

**Article 23.** The money resources and other valuables of juridical persons which are in banks may be attached only by the decision of a court, the decree of an investigating body, or arbitration body, and they may be seized only under executive writs issued by courts, orders of arbitration bodies, and other enforceable documents, and in the cases envisaged by legislation of Belorussian SSR—by demand of financial entities and other organizations.

The money resources and other valuables of foreign and international organizations which are in banks may be attached or seized only on the basis of decisions of courts or arbitration bodies according to the procedure established by current legislation.

The money resources and other valuables of natural persons which are in banks may be attached only on the basis of the following:

- decisions of courts and decrees of investigating bodies in connection with crimes they are handling and also in cases envisaged by law for examination of cases of confiscation of property;
- decisions of courts (decrees of people's judges) handling civil suits arising out of crimes, cases of attaching child support (if there are no earnings or other property which can be attached), or a case of division of a deposit which is the joint property of spouses.

The money resources and other valuables of natural persons may be seized on the basis of a court verdict or decision satisfying a civil suit arising out of a crime, a court decision or decree of a people's judge on seizure of child support (in the absence of earnings or other property which might be seized), or a court decision on division of a deposit which is the joint property of spouses.

Money resources and other valuables of natural persons may be confiscated on the basis of a verdict which has become final or a decree on confiscation of property that has been issued in conformity with law.

**Article 24.** Commercial banks are liable for their obligations to the full extent of their property and money resources. They are not liable for the obligations of their participants. The participants are not liable for the obligations of the banks unless their bylaws or contracts provide otherwise.

**Article 25.** Banks accept as security for punctual repayment of credit collateral, guaranties, and obligations in other forms customary in banking practice.

**Article 26.** Commercial banks do their accounting and reporting according to uniform rules established by the National Bank of Belorussian SSR.

**Article 27.** Commercial banks submit to the National Bank of Belorussian SSR an annual balance sheet and other report documents by the dates fixed by the National Bank of Belorussian SSR.

#### Section V. Deposits of Natural Persons. Protection of the Interests of Depositors

**Article 28.** Natural persons may place money resources in deposits in the Savings Bank of Belorussian SSR or any other commercial bank.

Depositors may dispose of their deposits, may obtain income on their deposits in the form of interest or in some other form offered by banks, they may conduct noncash transfers, and they may obtain other forms of banking services.

A person who has not reached the age of maturity may not be a depositor.

**Article 29.** The Belorussian state guarantees the full preservation of the money resources and other valuables of physical persons entrusted to the branches of the Savings Bank of Belorussian SSR and their withdrawal at the first request of depositors. The state is not liable for the obligations of other banks except the Savings Bank of Belorussian SSR with respect to deposits of individuals. Other commercial banks must insure the deposits of individuals according to the procedure and under the conditions defined by the National Bank of Belorussian SSR.

**Article 30.** Income on deposits is not subject to state and local taxes. All documents related to the transfer of deposits to heirs are exempt from payment of state duty.

**Article 31.** Deposits obtained by inheritance are not subject to taxation.

**Article 32.** Depositors have the right to make a testamentary disposition to the bank on release of the deposit in case of their death to any juridical and natural person or the state in accordance with current legislation.

In case of a depositor's death, a deposit on which no testamentary disposition has been made is released to the heirs in accordance with the procedure established by legislation of Belorussian SSR.

#### Section VI. Declaration of the Uncreditworthiness of Borrowers

**Article 33.** Commercial banks as creditors have the right to declare borrowers who have not discharged obligations under credit uncreditworthy and to publish a notice to that effect in the press.

**Article 34.** The following measures may be taken against a borrower declared uncreditworthy on the recommendation of a creditor bank:

- reorganization of debt;
- transfer of operational management to a temporary administration appointed with the participation of the commercial bank;
- reorganization of the borrower enterprise;
- liquidation of the borrower enterprise and subsequent sale of the collateral placed in the bank in accordance with current legislation.

**Article 35.** The measures proposed by the bank are carried out, depending on the legal status of the borrower, by the borrower's superior entity, by local bodies of government, or by the founders (participants).

[signed] N. Dementey, President, Supreme Soviet of Belorussian SSR, Minsk, 14 December 1990.

#### Belorussia Issues Additional Price Reform Legislation

##### Decree on Supplemental Protection of Population

914407054 Minsk SOVETSKAYA BELORUSSIYA  
in Russian 9 Apr 91 pp 1, 3

[Belorussian Soviet Socialist Republic (BSSR) Council of Ministers Decree No. 130 of 6 April 1991 signed by V. Kebich and N. Kavko, the Council's chairman and administrator of affairs, respectively, in the city of Minsk: "On Additional Measures for the Belorussian SSR Population's Social Protection Because of the Increase in Retail Prices" (For text of original decree, see: JPRS Report Soviet Union: Economic Affairs, JPRS-UEA-91-019, 19 Apr 91 pp 39-52.)]

[Text] In view of the worsening of the population's subsistence situation because of the increase in retail prices, the Belorussian SSR Council of Ministers, despite the republic's large budget deficit, has adopted additional measures, above Union norms, for the population's social protection.

The tariffs on the basic forms of housing and municipal services are retained without change. The five-percent sales tax is removed from basic food products and children's goods, and from payment for services in operating residential housing and dormitories and keeping children in preschool institutions. Provision is made for the payment of a monthly allowance in the amount of 110 rubles [R] to working mothers having not less than a year's job tenure, and R80 to mothers with shorter job tenure, for the care of a child until its reaching age three. Because of children's goods' becoming more expensive, compensation will be paid, without the minimum wage limitation to four times the minimum wage amount, to families having minor children. A law on the indexing of population incomes has been enacted in the republic for the first time in the country, and its implementation has begun.

For the purpose of further increasing the population's social protection because of the increase in retail prices, and taking into account the recommendations of labor collectives and the Belorussian Council of the Federation of Prosoyuzy [Trade Unions], the Belorussian SSR Council of Ministers, as a partial amendment and supplement to the BSSR [Belorussian Soviet Socialist Republic] Council of Ministers Decrees No. 100 of 22 March 1991: "On Retail Price Reform and Social Protection for Residents of the Belorussian SSR" and No. 122 of 1 April 1991: "On Determining the Amount of Funds Allocated to Consumption in 1991," decrees:

1. Using the profit remaining at their disposal, associations, enterprises, and organizations of the national economy production sector, beginning in April 1991, are to carry out during the year a stepwise increase in the wages paid to production workers and other employees, with a revision, in the process, of the increase in tariff rates and executive salary rates. For this purpose, the

limitations on the basic wage fund used to compute the consumption fund are to be removed. At the same time, steps are to be taken to improve production organization, increase labor productivity, reduce production cost, and improve product quality and competitiveness.

The BSSR State Committee on Labor and Social Protection of the Population is to be charged with this work's coordination.

2. For the purpose of increasing the state support of families with children, it is to be instituted that:

2.1. The previously intended payments because of children's goods', including the school uniform's, becoming more expensive are increased to R360 per year for children up to age six, R400 per year for children aged from six to 13, and R460 per year for those aged from 13 to 18.<sup>1</sup> This measure is equivalent to reducing the new retail prices on these goods to the levels of those previously in effect, and will make it possible to prevent the population's losses in acquiring the indicated goods without revising the new prices, as well as to ensure protection of the intrarepublic consumer market and the unsubsidized work of enterprises and their marketers.

The BSSR Ministry of Light Industry and other BSSR ministries and departments producing children's goods are to make maximum use of less expensive kinds of fabrics and other materials for the output of these.

2.2. The monthly payments for children not receiving pensions or allowances under the current social security system, as well as the compensation payments because of children's goods' becoming more expensive, are made until school completion for pupils of the general education schools and schools/boarding schools of all types in which the length of study exceeds 11/12 years.

2.3. Compensation in the amount of R60 per month is paid to mothers who are on vacation to care for a baby until the baby's reaching the age of one and a half years, and at its ages from one and a half to three years, provided that the child is not enrolled in a preschool institution.

2.4. The amounts of parents' pay for keeping children in preschool institutions, which were in effect before the increase in retail prices, are retained.

3. The restriction on the limits of total income per family member is to be removed with respect to the granting of monthly allowances for children aged from one and a half to six years and the monthly payments for children of the remaining age groups who are not receiving pensions or allowances under the current social security system.

4. The five-percent sales tax on products of public dining enterprises' own preparation is to be removed.

5. In order to prevent public dining's becoming more expensive, the obispolkoms [oblast soviet executive

committees], the Minsk Gorispolkom [City Soviet Executive Committee], and the BSSR ministries and departments are to solve the problem of making the food in student and school dining rooms and snack bars less expensive without delay, using budgetary resources and extrabudgetary funds, and are to reexamine and maximally reduce the price markups in worker, student, and school dining rooms and snack bars.

6. Enterprises and organizations are to be permitted to use part of the profit remaining at their disposal for making production workers' and other employees' food less expensive. Funds allocated for this purpose are not considered in the consumption fund.

7. In order to create additional possibilities for compensation payments and making dining less expensive:

Enterprises are to reduce the rate of amortization deductions paid into the fund for financing republic and regional social programs from 40 to 20 percent beginning with the second quarter of 1991, but, for unprofitable enterprises and enterprises operating at a loss, this matter is to be individually considered.

The deduction of funds for the highway fund by enterprises, organizations, cooperatives, and small businesses, as well as public organizations, is to be reduced.

Until the republic Supreme Soviet's adoption of a resolution on this matter, these funds are to be deducted at the rate of 0.5 percent of produced product/work/services volume instead of one percent.

8. The BSSR Ministry of Finances is to be charged with studying the possibility of reducing the profit taxation rates for industries and individual enterprises having low profitability, and with providing for these measures in the draft of the Belorussian SSR law: "On the Tax on Profits of Enterprises and Economic Organizations" to be submitted at the Belorussian SSR Supreme Soviet session in May of the current year.

9. It is to be noted that the BSSR Ministry of Trade, the Belkoopsoyuz [Belorussian Union of Consumer Cooperatives], and other ministries and departments having trading organizations have behaved irresponsibly toward the initiation of trade, the timely delivery of goods, and the ensuring of well-organized interaction with suppliers under the extremely strained conditions connected with the increase in retail prices, have remained aloof to verification of goods repricing and correct application of the new prices, especially the new contract prices, and have assumed an accommodating attitude with respect to manufacturer enterprises. All this has led to numerous cases of purchaser indignation.

Considering this situation intolerable, the Belorussian SSR Council of Ministers tasks the executives of the Belorussian SSR Ministry of Trade, the Belkoopsoyuz, the obispolkoms, and the Minsk Gorispolkom with eliminating these shortcomings and calling the guilty parties to strict account.

## REGIONAL ECONOMIC ISSUES

The executives of the BSSR Ministry of Trade and the Belkoopsoyuz are to be sternly warned of their personal responsibility for establishing proper order in the republic's entire trade system.

10. The BSSR Gosekonomplan [State Economic Planning Committee], the BSSR Ministry of Finances, the obispolkoms, and the Minsk Gorispolkom are to familiarize themselves in detail with the activity of cooperatives in order to prevent their applying overly high prices and obtaining unjustified revenues. Recommendations on these matters are to be presented to the Belorussian SSR Council of Ministers in a month's time.

11. The property denationalization and privatization process in the national economy sectors is to be accelerated, including immediate allotment of land to all those desiring it.

As verification, this matter is to be examined at a BSSR Council of Ministers Presidium in the second quarter of the current year.

12. It is to be noted as an intolerable occurrence that the executives of ministries, departments, enterprises, associations, obispolkoms, and the Minsk Gorispolkom, in implementing so complex a sociopolitical measure as the increase in retail prices, have not informed the population of the essence of measures being taken for its social protection by the republic government and, in a number of cases, have permitted their misrepresentation.

The aforesaid executives are to be tasked with conducting extensive explanatory work in labor collectives, and with fully utilizing the rights accorded to them and the existing potentials for compensation payments and the application of other guarantees and benefits in the interests of the working and other population categories.

It is to be recommended to labor collectives that coordination [soglasitelnye] commissions, composed of a number of worker, trade union, and administration representatives, be formed at enterprises to implement this Belorussian SSR Council of Ministers Decree, taking the enterprises' specific circumstances into account.

### Footnote

1. By BSSR Council of Ministers Decree No. 100 of 22 Mar 1991, the payments were fixed in the amounts of R200, R240, and R280, respectively.

### State Commentary on Measures

914A0705B Minsk SOVETSKAYA BELORUSSIYA  
in Russian 11 Apr 91 p 2

[Unattributed article: "BSSR Government Commentary on the Decree: 'On Additional Measures for the Republic Population's Social Protection Because of the Reform of Retail Prices'"]

[Text] As everyone knows, the reform of retail prices and appropriate measures for the population's social protection are being carried out in the form of actions coordinated with the majority of the republics.

However, understanding the mounting difficulty in the population's subsistence situation, the republic government has prescribed additional measures, above Union norms, to increase the social protection of its citizens, especially the helpless elements, in the decrees passed on these problems.

The tariffs on the basic kinds of housing and community services being rendered to the population, as well as the current retail prices on peat and lignite briquettes, are retained without change in the republic. These measures are evaluated as additional budgetary expenditures totaling R230 million to the end of the current year.

For the purpose of limiting the growth of retail prices, the subsidies on meat, milk, and fish products, medicines, and certain other goods and services are partially retained. In addition, sugar has been included on this list by republic government decree. The grand total of the subsidies from the budget is set at the amount of R3.7 billion, including R0.2 billion on sugar, in the estimate for the current year.

It is a very important circumstance that the new state retail prices on food and nonfood goods have been fixed at the same level for cities and their surrounding rural areas in the republic; that is, a meat and meat-product consumer cooperative will sell in the country at the very same prices as in the cities. For this it will be necessary to compensate the Belkoopsoyuz from the budget for the difference between the purchase price for the livestock's procurement and the level of the state retail prices on meat. According to preliminary estimates, the amount of such subsidies will be more than R160 million in the current year alone.

In order to reduce the population's expenses, it has been decided not to levy the five-percent sales tax on meat and meat products (except delicacies), milk and milk products, bread and baked goods, all forms of cereals, flour, macaroni products, eggs, sugar, salt, nonfood children's goods, and services for operating housing resources and dormitories and keeping children in preschool institutions. The sales tax on products of public dining enterprises' own preparation has also been removed. According to preliminary estimates, the population will reduce its monetary outlays on this by a total of R392 million.

Provision is being made to carry out a stepwise increase in the wages of production workers and other employees in the republic's national economy production sectors beginning in April of the current year.

In the first stage, beginning in April of the current year, economically accountable associations, enterprises, and organizations are to raise wages by 50 percent on the average, using the profit remaining at their disposal, for

which about R4 billion will be required before the end of 1991. In the nonproduction sectors, wages will be increased to 1.4 times the present amount, for which R1.2 billion will be required before the year's end.

In the second stage, mainly in 1992, a new republic tariff system, based on the amount of the subsistence minimum and minimum wage anticipated in view of the increase in prices, and providing for an overall increase in wages to approximately twice their present amount for all trade and skill groups of the working, will be developed and put into effect.

The limitations on the basic wage fund used to compute the consumption fund are removed.

Of course, all of this must be accompanied by steps to improve production organization, increase labor productivity, and improve the quality of products and lower their production cost.

Particular attention is devoted to the social protection of families with children. In all, about R2 billion is allocated from the budget for this purpose in 1991. The payments previously intended because of children's goods', including the school uniform's, becoming more expensive are increased to R360 per year for children under age six, R400 per year for those aged six to 13 years, and R460 per year for those aged 13 to 18 years. This measure is equivalent to reducing the new retail prices on these goods to the previously effective level, and will make it possible to prevent the population's losses in acquiring the indicated goods without revising the new prices.

Even before the increase in retail prices, in February of the current year, the republic Supreme Soviet passed a resolution about augmenting the partially paid vacation given to women for the care of a child aged from one and a half to three years, if the child is not enrolled in a preschool institution, with the payment of an allowance in the amount of the minimum wage; that is, R70 per month. The republic Council of Ministers will retain this ruling in the future as well. Moreover, the amount of the aforesaid allowance is increased by R40 for working women and R10 for those not working. Thus the allowance will amount to R110 and R80, respectively, for which R140 million will be allocated from the budget to the end of the current year (R186 in the estimate for the year).

In addition to this, compensation in the amount of R60 per month has now been instituted for mothers who are on child-care vacation until the child's reaching the age of one and a half years, and at its ages from one and a half to three years, provided that the child is not enrolled in a preschool institution.

The previously effective payment rates for keeping children in children's preschool institutions have been retained, for which R100 million is allocated in the estimate for the year.

The payments of monthly allowances and compensations to pupils of the general education schools and schools/boarding schools of all kinds will be made until completion of the schools.

The limitation on total income limits per family member is removed in the republic with respect to granting the monthly allowances for children aged from one and a half to six years and the monthly payments for children of the remaining age groups who are not receiving pensions or allowances under the current social security system, as well as with respect to the compensation payments to families with minor children because of children's goods' becoming more expensive. This will cost the budget R174 million per year.

In order to prevent public dining's becoming more expensive, the obispolkoms, the Minsk Gorispolkom, and the BSSR ministries and departments must solve the problems of making the food in student and school dining rooms and snack bars less expensive without delay, using budgetary resources and extrabudgetary funds, and reexamine and maximally reduce the price markups in worker, student, and school dining rooms and snack bars.

Enterprises and organizations are permitted to use part of the profit remaining at their disposal for making their production workers' and other employees' food less expensive. The funds allocated for this purpose will not be considered in the consumption fund.

In order to create an additional source for compensation payments and making dining less expensive, the decision has been made to reduce the amortization deductions' rate of payment to the fund for financing republic and regional social programs from 40 to 20 percent, which, accordingly, reduces the budget's revenue component by R400 million. The rate for funds allocated to the highway fund is being cut in half (from 1 to 0.5 percent), which reduces the revenues into this fund by approximately R460 million.

According to BSSR Goskomstat [State Committee for Statistics] data, the consumer price index for January and February of the current year amounted to 111.1 percent. On the basis of the enacted law, the indexation period for the population's monetary incomes begins when this index exceeds a five-percent threshold. Therefore, the indexation of wages or other incomes is already being done by totals for the two months. Calculations, using the indexation, show that the republic's inhabitants will receive R20 each on the average during March, depending on wage or other monetary income levels, in addition to the compensation payments because of the decree on increasing retail prices. In this regard, bonus payments in economically accountable associations, enterprises, and organizations are also being indexed when provision is made for these in the collectives' contracts.

The republic government has instituted all of these measures, and others, for the population's social protection.

### **Moldova, Independent Trade Union Council Sign Economic Stabilization Agreement**

#### **Text of Agreement**

914407424 Kishinev SOVETSKAYA MOLDOVA  
in Russian 27 Apr 91 p 3

[“General Agreement for 1991 Between the Government of the Moldovan SSR and the Council of the Federation of Independent Trade Unions of Moldova”]

[Text] **The Moldovan SSR Government and the Council of the Federation of Independent Trade Unions of Moldova are entering into this agreement in order to insure stability of economic, social, and legal guarantees for workers and for the republic's entire population.**

**The agreement is built on the foundation of equal partnership and mutual responsibility.**

#### **Article I**

##### **The Government of the Moldovan SSR Pledges As Follows:**

1. In connection with the transition to a market economy to insure the introduction of a mechanism to provide social safeguards for the population of the republic.

2. Jointly with the Federation of Independent Trade Unions of Moldova to draw up and adopt during the second quarter of 1991 a list of goods and services making up a minimum “consumer basket” on a per capita basis, and on that basis establish a guaranteed living minimum for all categories of the population.

3. To constantly analyze the level of inflation and publish in the press the figures on real wages and the living standards of the various social and age groups in the population and a price index.

4. In the event of a one-time increase in state retail prices for goods and rates for services, to provide full compensation for loss in the population's income for basic foodstuffs and nonfood goods included in the minimum “consumer basket,” and also for children's goods and medicines and rates for municipal services and local passenger commuting.

5. The procedure for and the specific amounts and sources of compensation payments are to be established by decree of the Moldovan SSR Government in agreement with the Council of the Federation of Independent Trade Unions of Moldova.

6. Pending passage of a law of the Moldovan SSR on income indexation for the population for the latest price

increase, to establish interim procedure for indexation of the population's income giving due consideration to inflation (Addendum 1).

7. To bring the calculated monetary norms for food in educational, public health, and social security facilities into line with increased prices for foodstuffs.

9. [as published] During the course of the year to complete the introduction of new conditions for wages for workers in all sectors of the nonproduction sphere, and to bring the wage level up to the level of at least the average wage for the republic, and to strengthen social protection for them.

10. To preserve the existing procedure for offering favorable rates for transportation for particular categories of the republic's population.

11. Pending passage of a law of the Moldovan SSR on employment, to establish a procedure whereby a decision by a corresponding organ on total or partial liquidation of enterprises, organizations, or farms is reached only together with a program to provide retraining and find employment for workers made redundant drawn up with the participation of the local authorities, and also on condition that the appropriate trade unions are notified at least six months in advance and that negotiations are held with them to observe the rights and interests of the workers.

Not to permit the privatization of specialized enterprises, shops, or sections that use the labor of the disabled and pensioners without the agreement of the labor collective.

12. In order to finance measures to implement employment policy, to set up within the framework of the Social Fund of the Moldovan SSR a specific fund to assist in job placement and the necessary social and material guarantees for the population, and to create new work places and the material-technical base for professional training and retraining and skill improvement for workers.

13. To establish an interim procedure for payment of unemployment assistance and grants for the period of retraining for workers who have lost their jobs (Addendum 2) pending passage by the republic Supreme Soviet of a Moldovan SSR law on employment.

14. To start work on social normatives for the population of the republic with respect to housing, enterprises providing public catering, trade facilities and personal and municipal services, medical treatment centers and sanatoria, children's health camps, preschool facilities, sports facilities, and other objects in the nonproduction sphere, and to establish them in agreement with the Council of the Federation of Independent Trade Unions of Moldova.

15. To start work on a long-term republic program to improve conditions and labor safety and environmental

protection, and prevent incidents and accidents in production, in which provision is made for improvement in working conditions and labor safety for workers, socio-economic and legal protection for women in production in accordance with established norms, protecting the environment against noxious production emissions, restricting the use of toxic chemicals in agriculture, and providing all working people with the necessary sanitation and everyday premises and facilities for individual protection.

16. To work on and start to implement a comprehensive expert examination of the reliability of building structures, housing, and public and production buildings after earthquakes and other natural calamities, and to take steps to eliminate any defects found.

17. In accordance with the legislative systems the Moldovan SSR will work on a concept of housing construction and on the basis of this concept review the present housing program and the resources available for it, particularly for private housing, and construction using the economic method.

To be more active in carrying out work to transfer the main part of the housing inventory to private and cooperative ownership.

18. To devise a system of guarantees for housing under the conditions of a market economy for all persons on the waiting list as of 1 January 1991, and also disabled persons, veterans of war and labor, the families of those who have fallen while carrying out their service duties, and other low-income population groups.

19. To guarantee the review and settlement of questions pertaining to the justification for the removal by city and rayon executive committees of housing areas built by enterprises and organizations using their own assets.

20. To review together with the Presidium of the Federation of Independent Trade Unions of Moldova the course of fulfillment of the program to construct hostels for higher and secondary educational facilities.

21. To provide all private builders in the countryside with tracts of land on which to build housing, and with respect to cities of republic subordination to devise a special program for this purpose and to adopt it during 1991.

22. To devise special programs to improve the material base for culture and sport, expand the construction of cultural enlightenment and physical culture and sports facilities, and set up production facilities to provide services for the sphere of sport and leisure.

23. To review jointly with the Council of the Federation of Independent Trade Unions of Moldova the question of transferring the trade unions' children's and youth sports schools to the system of the State Department for Youth and Sport, and also the question of improving the organization and management of sport in the republic.

24. To provide all children's health facilities with personnel (public catering, medical services, pedagogic personnel, and so forth), and also to allocate specific funds to provide them with soft furnishings and furniture, sports equipment, and other equipment on a centralized basis during the period of the summer break.

25. To draw up and adopt a state program on preventive medicine and the formation of a healthy way of life among the workers.

26. To retain guaranteed, gratis medical care for the public during the transition to insured medicine while simultaneously developing a network of additional user-fee medical services.

27. To determine the volume of financial and material resources allocated to develop the material base for sanatorium and resort facilities to provide health facilities for workers in the republic during the formation of the indicators for social and economic development of the republic in 1992.

28. To assign planned sanatorium and resort projects to the category of republic-level sociocultural projects and to include their construction in the state order, with a guarantee of centrally allocated material resources.

29. To organize the uninterrupted supply of the necessary range of foodstuffs to republic sanatoria and health facilities, leisure and tourism facilities, health camps, and labor and leisure camps regardless of their departmental affiliation, including those located outside the republic.

30. To recommend to the executive committees of local soviets that they use funds from local budgets and deductions from enterprises to organize at open-type dining halls in the cities and rayons of the republic dining facilities for single pensioners and the disabled on favorable terms, and also that they make provision in schools and educational facilities for dining facilities for trainees and students from low-income families.

## Article II

### The Council of the Federation of Independent Trade Unions of Moldova Pledges As Follows:

1. To analyze the state of affairs in the sectors of the national economy. To submit proposals for draft programs for the economic and social development of the republic and the republic budget.

2. To insure control over compliance with obligations assumed under the terms of collective contracts and agreements, observance of the principles of social justice in wages, pricing, and giving workers the privileges to which they are entitled by law, compliance with legislative enactments when workers are dismissed, and observance of guarantees for their social protection and right to work and choose their profession or kind of activity and work in accordance with their calling and abilities.

To carry out the function of protecting the other legitimate rights and guarantees of the worker.

3. To strive to achieve prompt resolution of labor disputes and other problems primarily by way of negotiation at all levels, and in the case of rejection of legitimate and just demands in accordance with existing legislation, to provide moral and material support for them.

4. Through the efforts of technical inspection and certified physicians to take specific steps to monitor the organization and conduct of work to prevent production accidents and occupational diseases, carry out regular examinations of the status of work conditions, work safety, and sanitation and everyday facilities for those working at enterprises and organizations in the republic, comply with collective contracts to improve conditions and work safety and sanitation and health measures, provide workers promptly with special clothing, footwear, and other means of individual protection, and provide the administration with instructions regarding the elimination of violations found and strive for compliance with those instructions.

5. To organize effective control over implementation of work safety measures as provided for by the social development plans and goal-oriented programs and collective contracts at enterprises and organizations. To hold strictly liable officials who fail to insure compliance and ignore the requirements of work safety and production sanitation.

6. To organize and exercise effective working control over observance of the principle of social justice in resolving housing questions and the work of trade enterprises and organizations in the services sphere.

7. To participate through its own representatives in the work of state acceptance commissions with respect to constructed housing and social and everyday projects and housing and projects that have undergone major repairs. Not to permit the closure of workers' small dining halls at enterprises in the national economy of the republic.

8. To spend rationally funds from the Moldova dedicated social insurance fund in accordance with the estimates approved by the board of the Moldovan SSR Social Fund for the purpose of improving the material well-being and health of the workers. To make payment of assistance grants for temporary work disability, for pregnancies and births, and so forth. To insure the efficient use of funds allocated for the health and leisure of workers in sanatoria, rest homes, and sanatorium-and-health and special-diet facilities, and partially to fund children's and youth's sports schools.

9. To mobilize the trade union aktiv to improve medical services, health facilities, and preventive medicine and reduce the incidence of disease among workers. To allocate what is saved from lowering the incidence of disease involving temporary disability to strengthen

public health and the trade union material-technical base for sanatoria, leisure facilities, and sanatorium-based preventive medicine, children's preschool health facilities, and homes for the disabled and labor veterans.

10. Using the resources of the construction complex to commission a 500-place family rest-boarding facility at the resort of Sergeyevka, and a recuperation and health complex in the Kondritsa forest park, and 9,000 square meters of housing for workers at sanatorium-resort and tourist facilities.

11. To assist in finding a solution in Union organs to the problems in the field of social safeguards for the rights and interests of citizens of the Moldovan SSR.

### Article III

#### **The Government of the Moldovan SSR and the Council of the Federation of Independent Trade Unions of Moldova Pledge As Follows:**

1. To adopt joint or agreed decisions and enforceable enactments in matters pertaining to labor and wages, pricing, taxation for enterprises and the citizens of the republic, and other very important issues affecting the rights and interests of citizens.

2. To review proposals from the ministries and departments and executive committees of the soviet of people's deputies and trade union organizations on matters relating to labor and social development, and if necessary submit them to the Moldovan SSR Supreme Soviet for review.

3. Jointly with ministries and the sector trade union centers to review and generalize proposals and demands from labor collectives and workers regarding changes in working conditions and wages, the establishment of additional privileges, and the conclusion of collective contracts and agreements, and within the limits of the rights enjoyed, to take steps to resolve collective labor disputes (or conflicts).

4. To exercise control over observance by state, economic, and cooperative management organs of existing labor and pension legislation, pricing for consumer goods and rates for services, and the correctness of compensation payments and the prompt payment of wages by banks, and compliance with the rights of enterprises and labor collective as established by appropriate laws.

5. To submit as a legislative initiative for special review by the republic Supreme Soviet drafts for Moldovan SSR laws: "On the Minimum Consumer Budget," "On Wage Indexing for the Population," and "On Employment."

6. To submit to the Moldovan SSR Supreme Soviet proposals on introducing changes to particular legislation enactments (Addendum 3).

7. To organize joint work on instructions, clarifications, and other enforceable enactments and social normatives

providing guarantees for the constitutional rights of workers with respect to work safety.

8. To conduct expert inspections of all plans for the construction and reconstruction of production projects on republic territory in accordance with the work safety standards and industrial sanitation and environmental protection legislation.

9. To promptly investigate accidents and incidents involving fatalities and to take effective steps to eliminate their consequences and to prevent similar occurrences and provide the necessary assistance for victims.

10. To start work on unified rules for the allocation and use of and payment for housing and municipal and everyday services, and to establish favorable terms for particular social groups in the population.

11. To draw up proposals on improving pension legislation and social security with various kinds of benefits.

12. To provide guarantees for prompt and complete receipt of insurance payments for pension security and social insurance from enterprises, establishments, and organizations.

#### Article IV

1. This agreement establishes minimum social guarantees for workers and the population that may not serve as obstacles against establishing in collective contracts and agreements at enterprise level more advantageous social and economic conditions using enterprise assets.

2. The Moldovan SSR Government and the Council of the Federation of Independent Trade Unions of Moldova pledge to take all necessary steps to meet their obligations.

3. The Moldovan SSR Government and the Council of the Federation of Independent Trade Unions of Moldova pledge to exchange information regularly and hold consultations at least once each quarter on socio-economic issues and legislative initiatives.

4. Either of the parties that has signed the general agreement has the right during the time that the agreement is in force to submit changes and amendments by mutual agreement.

5. Disputes arising during the process of implementation of this agreement shall be resolved on a bilateral parity basis by a commission, in accordance with the law.

6. The course of fulfillment of the general agreement shall be discussed by the parties according to results during the first half of 1991. Results shall be summed up during the first quarter of 1992 and published in the mass media.

7. This general agreement enters into force from the moment that it is signed.

[Signed] for the Moldovan SSR Government, Mircha Druk, prime minister of the Moldovan SSR.

[Signed] for the Federation of Independent Trade Unions of Moldova, Dmitriy Nidelku, chairman of the Federation of Independent Trade Unions of Moldova, Kishinev, 12 April 1991

#### Addenda

91440742B Kishinev SOVETSKAYA MOLDOVA in Russian 27 Apr 91 p 3

[Texts of the addenda to the general agreement between the Moldovan SSR Government and the Federation of Independent Trade Unions of Moldova]

[Text]

#### Addendum No. 1.

##### Interim Provisions on Procedure for Indexation of the Population's Income Giving Due Consideration to Changes in the Price Index for 1991

1. Full indexation will apply with respect to monetary incomes of the population up to double the living minimum, 80 percent of the next part of income up to triple the living minimum will be indexed, and half of the next part of income up to 10 times the living minimum will be indexed. Monetary incomes in excess of 10 times the living minimum will not be indexed.

2. If prices for consumer goods and services rise up to 3 percent, income indexation will take place once annually; if prices rise 3 percent to 5 percent, indexation will be done once every six months; 5 percent to 10 percent, once each quarter; at higher rates, each month.

3. When prices rise for consumer goods, income indexation will take place with respect to contributions made by citizens in accordance with established procedure, with the agreement of the Council of the Federation of Independent Trade Unions of Moldova.

4. The basis of income indexation is the indicators for increases on the price index for consumer goods and services, which are calculated by the statistical organs of the Moldovan SSR with the participation of the trade unions.

#### Addendum No. 2

##### Interim Provisions on Payment of Unemployment Assistance and Grants During a Period of Retraining for a Different Occupation, Skill Improvement, and Professional Training and Retraining

1. Persons who become unemployed in accordance with established procedure have a right to receive unemployment assistance.

2. Citizens of working age who through no fault of their own do not have work or a wage or other legal labor

income and are registered with the state employment office at their place of residence are considered unemployed.

3. The requirements for citizens who are in need of unemployment assistance and grants during retraining or training for a different professional are as follows:

a) mandatory registration with the state employment office at place of residence;

b) full-time paid work for six of the 12 months preceding the start of unemployment;

c) readiness on the part of the citizen if necessary to undergo professional retraining for employment and to cooperate with the state employment service in the process of finding work;

d) an appropriate document confirming health status;

e) at the request of the state employment service, checking in weekly or more often.

4. The main categories of citizens taking advantage of the right to receive unemployment assistance are as follows:

a) graduates from higher and secondary specialized educational establishments, rural vocational and technical schools, and schools, aged 16 years or older, who do not have a source of income and have for a period of 60 calendar days since completion of their studies been unable to find work;

b) young persons who had not worked before being drafted into the army and who after demobilization have been unable to find work over a period of 60 calendar days;

c) workers made redundant from enterprises, establishments, organizations, or farms in connection with the elimination of or cutbacks in staff, and also workers who have been dismissed at the initiative of the administration and reinstated by a people's court, when they are unable to find work;

d) citizens returning from places of detention.

**Note:** The complete list of citizens having the right to receive unemployment assistance is determined by the Moldovan SSR law on employment.

5. The following do not have the right to unemployment assistance:

a) citizens whose average per capita income for each family member is greater than the minimum wage for the republic;

b) citizens who own a plot of land larger than 0.15 of a hectare per family.

6. Unemployed persons who are unable to work because of a lack of the necessary professional skills have the

right to attend courses to improve their skills or be retrained through the state employment office.

7. It is established that during a period of professional training, skill improvement, or retraining for a different occupation, unemployed persons will receive a grant of 100 percent of their average wage at their last place of work, calculated for the year prior to application to the employment service, but not more than 70 percent of the average monthly wage in the national economy.

8. The right to receive unemployment assistance commences 10 days from the time of registration of a citizen with the employment service until the question of his job placement is resolved, but not more than 26 calendar weeks, and for those working for the first time, up to 13 calendar weeks in any 12-month period.

9. The following unemployment grants are established:

—100 percent of the minimum wage as envisaged by legislation of the Moldovan SSR for persons listed in clause 4(a);

—75 percent of the minimum wage for persons looking for work for the first time (who do not have specialties or professions);

—50 percent of basic wage at the previous place of work, based on the last previous year of work but not lower than the minimum wage for the republic for persons listed in clause 4(c).

Unemployment assistance cannot be higher than the average wage for the Moldovan SSR.

### Addendum No. 3

#### Proposals for the Moldovan SSR Supreme Soviet on Making Changes to Republic Legislative Enactments

1. On tax exemption for that part of the incomes of cultural, leisure, and sports establishments allocated by state, cooperative, and other enterprises to develop the spiritual sphere.

2. On income tax exemption for the assets of students and undergraduates earned by them in their free time, and for one-time payments made to workers retiring on a pension.

3. On establishing a concession ticket (50 percent of the cost) for visits made to cultural and sports facilities by children, undergraduates, and students, pensioners, and the war disabled.

4. On making changes in the Moldovan SSR Code of Labor Laws to establish a 40-hour working week and vacation time of 24 working days (not counting Saturdays and Sundays).

**Armenian Decree on 1991 Budget**

914.10745.1 Yerevan GOLOS ARMENII in Russian  
19 Apr 91 p 1

[Resolution of the Republic of Armenia Supreme Soviet:  
"On the Republic of Armenia 1991 State Budget"]

[Text] Taking into account the extraordinary economic and political situation which has emerged in the Soviet Union and the Republic of Armenia, as well as the need for measures to reinforce the powers of executive authorities and operational management, and to make changes as soon as possible under the circumstances, the Supreme Soviet of the Republic of Armenia **resolves**:

1. To establish the revenues of the Republic of Armenia 1991 State Budget in the amount of 4,361,760,000 rubles [R], expenditures in the amount of R4,810,848,000, and the maximum budget deficit in the amount of R449,088,000.

2. To adopt the revenue side of the 1991 republic budget of the Republic of Armenia in the amount of R3,472,330,000.

3. The republic budget of the Republic of Armenia shall take into account proceeds from the following sources of revenue (in R1,000):

Turnover tax—1,702,000

Tax on the profits of enterprises, associations, and organizations—210,447

Proceeds from selling the bonds of the 1982 state internal premium loan—70,000

Sales tax based on the volume of sales of products, goods, and services—602,000

Other proceeds, fees, and non-tax revenues—213,883

Of which:

Confirmed payments from local budgets for funding expenditures of republic significance—100,174

Additional proceeds generated due to the reform of retail prices—674,000

4. To adopt the expenditures of the 1991 Republic of Armenia budget in the amount of R3,921,418,000 and, in addition, current cash assets on hand as of 1 January 1992 in the amount of R9,000,000.

5. Budgetary funding envisaged by Point 4 of the present resolution shall be allocated to finance the following expenditures of republic significance (in R1,000):

Funding for the national economy—1,381,050

Funding for socio-cultural measures—510,631

Science—31,800

Maintenance of the organs of the Republic of Armenia Ministry of Internal Affairs—71,562

Maintenance of the republic organs of state power and government, court organs—45,154

Measures to ensure the social protection of the populace in conjunction with the reform of retail prices—1,655,000

Reserve fund of the Republic of Armenia Council of Ministers for financing unforeseen expenditures—38,866

6. To establish, proceeding from the tasks of regulating the financial base of the budgets of rayons, cities reporting to the republic, city rayons, settlements and rural localities of the Republic of Armenia and local self-government, that rayon, city, city rayon, settlement, and rural soviets of people's deputies draw up, adopt, and implement the budgets of respective administrative territories independently.

7. To establish that the revenues of the budgets of rayons, cities reporting to the republic, and local budgets are formed on the basis of their own revenues and contributions from the profit tax on enterprises, associations, and organizations.

8. To instruct the Republic of Armenia Council of Ministers to set standard rates for contributions from the profit of enterprises, associations, and organizations and the turnover tax on the volume of retail sales in state and cooperative trade for the budgets of cities reporting to the republic and rayons.

9. To instruct the Republic of Armenia Council of Ministers to take appropriate measures aimed at resolving issues which arise in the complex of services for the population of rural localities in conjunction with the liquidation of kolkhozes and sovkhozes.

10. To establish that standard rates of contributions from the profit tax, the tax on the income of workers and clerical personnel, and other tax and non-tax revenues to the budgets of rayons, cities reporting to the republic, and cities reporting to rayons, settlement and rural budgets are confirmed by the superior soviets of people's deputies.

11. To instruct the Republic of Armenia State Bank and the Republic of Armenia Ministry of Finance to ensure the monetary implementation of the 1991 Republic of Armenia budget with a view to the timely and complete funding of the measures adopted.

12. To instruct the Republic of Armenia Council of Ministers to ensure appropriate monitoring of the balance of the 1991 republic budget, the republic fund of economic stabilization, and other state funds and monies accumulated in the republic.

13. To instruct the Republic of Armenia Council of Ministers to submit to the Supreme Soviet a draft Republic of Armenia Law on the Budget System in September 1991.

14. To instruct the Republic of Armenia Council of Ministers to submit to the Republic of Armenia Supreme Soviet a report, based on the results of each quarter, on the progress of implementing the budget, and tasks and measures planned for the next quarter.

15. To instruct the Republic of Armenia Council of Ministers to submit to the Republic of Armenia Supreme Soviet within one month a report on the sources of accumulation and the main directions for the disbursement of republic fund for economic stabilization.

[Signed] *L. Ter-Petrosyan, chairman of the Republic of Armenia Supreme Soviet*

*A. Saakyan, secretary of the Republic of Armenia Supreme Soviet*

*Yerevan, 15 April 1991*

#### **Latvian SUPSOV Official on Implementation of Privatization**

914.40746.4 Riga LATVIJAS JAUNATNE in Latvian  
14-16 Mar 91 p 1

[Interview with Chairman of the Latvian Supreme Soviet Committee on the Protection and Conversion of National Property Janis Biezais by Ainars Erglis: "In Order for Medicine Not To Become Poison"]

[Text] Let us continue acquainting you with how we are preparing for the conversion of property in the Republic. The government has already presented its view; now let us have a look at the problems of conversion from the standpoint of parliament. By the time you receive this issue, a Supreme Soviet Committee on the Protection and Conversion of National Property may already have been created, with Janis Biezais having undertaken to head it. That is to say, the following is LATVIJAS JAUNATNE's conversation with potentially the chairman of the committee.

[Biezais] Work on the privatization program has been going on in parliament for over four months now—sometimes getting nowhere, other times progressing with the accumulation of experience. Right now, another round is starting up thanks to the creation of the Supreme Soviet Committee on the Conversion of Property. Up to now, a working group formed by the People's Front of Latvia had been handling the matter. This group brought the privatization proposals worked out by the government, the People's Front, and the Committee of Latvia, more or less into accord with each other. Now the drafts of the opposition must be included. The author of one of them is M. Gavrilov, who represents the so-called Democratic Initiative Center; the other was drawn up by V. Zatuliviter and A. Bartashevich, directly

representing the "Equality" faction. The newly formed committee will have to try to combine all of the drafts, for they cannot submit a one-sided version for discussion at the plenary session. There will be difficulties with "Equality's" bill, which represents the interests of large-scale industry and the center. M. Gavrilov's proposal is in my opinion more flexible. It contains several attractive ideas, such as the necessity of privatizing the social sector. Sure, if you'll excuse the metaphor, one might think that all health care and education must be loaded and hauled by a single pack animal—the government—but it would be so much easier if this heavy burden were divided up among several carriers. If one third of education and health care were to be privatized, or made accessible against payment, things would be easier.

[Erglis] What further work needs to be done?

[Biezais] The institutions necessary for conversion are now being created—the Supreme Soviet committee has already been created, and a Council of Ministers Department for the Conversion of Property, whose director is to be confirmed in parliament, is also being formed. A law on the registry of fixed capital must be prepared, and the registry itself created. Property must not only be inventoried, but also assessed, and the legal rights of declared owners must be weighed. Following the adoption of a property conversion program, a whole package of bills must be ratified—on the transformation of state enterprises into joint stock companies, on the privatization of agricultural enterprises, etc.

[Erglis] Will the People's Front's certification version be used?

[Biezais] Yes, definitely. But you have to remember the universal adage from the medical profession stating it is simply dosage that makes medicine into poison and vice versa—poison into medicine. Therefore, the certificate idea must be applied in moderation. In my opinion, a certificate could only be an attestation of the right to become, for example, owner of a share of some enterprise.

[Erglis] Are you satisfied with the fundamental principle of the government's proposal that nothing may be given up for free, and everything must be bought?

[Biezais] Again, it all depends on the dosage. We know more or less what buying power there is, and of the potential for shadow capital coming into play during the process of privatization. Therefore, we intend to provide an opportunity for everyone to freely participate in the development of new entrepreneurial activities that are subject to government taxes. So what if the owner is Chinese or German—if he works well, pays his taxes, and manufactures good products for Latvia, then God be with him! On the other hand, we intend to keep land, minerals, and other fundamental natural resources of the Republic as national property of the state. The right to acquisition of such resources will be reserved for the indigenous population alone.

[Erglis] On several occasions, the government has stated that it will not yield on its program and will not change anything in it.

[Biezais] Obviously, we can't get by without a government, and don't have any other, so to the extent possible, we will try to take its proposals into consideration. As chairman of the committee, that's my problem. All I can say is that over the past ten years, having worked in the agricultural enterprise "Kekava," which is a pretty typical model of our society, I am convinced that for the most part, all our problems are a matter not of technology or materials, but rather, of psychological compatibility. This applies to the government, the People's Front, and the opposition. Since I've had some training at "Kekava" as well, I entertain the hope that we will manage!

### Lithuanian Law on Privatization of State Property

914.40750.4 Vilnius EKHO LITVY in Russian  
28, 29, 30 Mar 91

[Text in three installments of the: "Law of the Lithuanian Republic 'On the Initial Privatization of State Property'" signed by V. Landsbergis, chairman of the Supreme Council of the Republic of Lithuania, in Vilnius on 28 February 1991]

[28 Mar p 2]

[Text]

### PART 1. GENERAL PROVISIONS

#### Article 1. Purpose of the Law

1. The Law of the Lithuanian Republic on Initial Privatization of State Property regulates the initial privatization of the state property of industrial, construction, transportation, power engineering, and trade enterprises, consumer services and public dining enterprises, and commercial cultural and educational, pharmaceutical, and therapeutic and rehabilitation institutions, as well as other state property (henceforth in the text, the state property being privatized is termed "the privatized facility").

2. The procedure for privatization of land and other natural resources and agricultural, forestry, and communications enterprises or their property, as well as available state and public housing facilities, is set forth in other laws of the Lithuanian Republic.

3. This law does not regulate the restoration of the property rights of physical persons whose property was nationalized, confiscated, or taken by the state against their will by other means.

#### Article 2. Further privatization of state enterprises in conformity with the Law on State Enterprises

1. Privatization of state enterprises in conformity with the Law of the Lithuanian Republic on Initial Privatization of State Property may be carried out only once. Further privatization of enterprises is possible in conformity with the Law of the Lithuanian Republic on State Enterprises only if they have been privatized in conformity with the Law of the Lithuanian Republic on Initial Privatization of State Property.

2. Privatization of enterprises in conformity with the Law of the Lithuanian Republic on State Enterprises may be implemented only with Lithuanian money (litas) or freely convertible currency according to the rate of exchange that has been established, unless otherwise stipulated by legislation of the Lithuanian Republic.

#### Article 3. Information on privatization

1. Special periodical publications—information bulletins on privatization—are being established for the period in which privatization is implemented.

2. The procedure and frequency of publication of the Republic Information Bulletin on Privatization, as well as the information bulletins of city (rayon) governments, are stipulated by the Government of the Lithuanian Republic.

3. In the event that information on the privatization of a facility is published in the appropriate information bulletins, it should specify the following technical and economic data on the facility for privatization:

- 1) its purpose (the nature of the enterprise's activity);
- 2) the amount and structure of the authorized capital;
- 3) the amount of loan capital;
- 4) the enterprise's profitability over the past year and its planned profitability for next year (the correlation between the enterprise's profit balance and capital);
- 5) the proportion of imported equipment in the fixed capital in active use;
- 6) the annual output volume (annual turnover) and the proportion of output produced (services rendered) for export;
- 7) the number of persons employed, including workers; and
- 8) the pattern of deliveries of basic types of materials and raw material obtained from the USSR and other foreign states.

In accordance with the decision of the Central Privatization Commission, other facts which concern the method of privatizing a facility are published in this information as well.

4. The lists of all facilities to be privatized in the Lithuanian Republic and the programs for their privatization, as well as the data on these facilities stipulated by this law, should be published in advance in the Republic Information Bulletin on Privatization.

## PART II. THE ORGANS ENGAGED IN PRIVATIZATION

### Article 4. The system of organs engaged in privatization

1. In conformity with this and other laws of the Lithuanian Republic, the privatization of state property is carried out by the Central Privatization Commission, as well as the city and rayon privatization commissions subordinate to it. In the event that the text of this Law is applicable both to the Central Privatization Commission and the city and rayon privatization commissions, the abbreviated term "privatization commission" is used.

2. Members of the Central Privatization Commission are appointed and discharged by the Supreme Council of the Lithuanian Republic at the request of the prime minister of the Lithuanian Republic. Members of city and rayon privatization commissions are appointed by the Government of the Lithuanian Republic at the request of upper-level local government councils. At the request of the Central Privatization Commission, its chairman may be appointed as a member of these commissions. The formation of privatization commissions and the procedure for their operation are stipulated by the Government of the Lithuanian Republic.

3. Privatization services are established in the upper-level local governments. They are financed with the upper-level local governments' share of the funds received for the state property that has been privatized.

4. The privatization commissions and privatization services are temporary. They are formed only for the purpose of performing the tasks stipulated by this Law. The activity of these commissions and services is discontinued when the organs which formed them make that decision.

### Article 5. The competence of the privatization commissions

1. The competence of the Central Privatization Commission is defined by this Law and other normative documents. Decisions on privatization matters adopted by the Central Privatization Commission are implemented by ministries of the Lithuanian Republic concerned with the area of regulation which applies to the facility being privatized and by city (rayon) privatization commissions and the privatization services of local governments, as well as the management organs of the enterprises being privatized.

2. The Central Privatization Commission approves the programs for privatizing facilities, except those referred to local areas, and the Republic Privatization Program and monitors their implementation at the request of a general meeting (conference) of the employees of the

appropriate ministries or enterprises in the Lithuanian Republic. Facilities in an area of republic regulation are prepared for privatization by the appropriate ministries of the Lithuanian Republic.

3. City (rayon) privatization commissions, in coordination with the Central Privatization Commission, work out the programs for privatizing facilities referred to local areas, and together with the local government councils, they monitor implementation of these programs. The privatization services of local governments prepare the local facilities for privatization.

4. City (rayon) privatization commissions have the right to give instructions on privatization matters to the departments of local government administrations in the area of regulation affecting the facility being privatized, as well as to privatization services and the administrative organs of local enterprises being privatized.

5. Documents on the right of ownership are issued by the appropriate privatization commissions, or the administrative organs of the enterprises being privatized to which they delegate authority, to the persons who purchase the privatized facilities (stock shares) if the results of the auction held or the subscription for shares are approved in the procedure stipulated by this Law.

6. The appropriate privatization commission, together with the authorities stipulated by this Law, also has the right:

1) to reduce the price of the facility being privatized (to lower its initial sale price), in cases stipulated by this Law, if there has been no subscription for stock shares or the facility has not been sold after being announced repeatedly at auction. This provision does not apply to the sale of items in our cultural heritage;

2) to require that an enterprise repurchase, in full or in part, the available state capital in the procedure set forth in the Law of the Lithuanian Republic on the State Enterprise; and

3) to sell the stock shares of enterprises which are at the disposal of state organs of authority and administration, applying the rules set forth by this law.

### Article 6. The rights and responsibilities of privatization services

1. The privatization services are guided in their activity by laws of the Lithuanian Republic and decisions of the Supreme Council and Government of the Lithuanian Republic, as well as the appropriate privatization commissions.

2. The privatization services accumulate information on facilities to be privatized in the city (rayon) and the republic, organize auctions and a subscription for stock shares, and prepare the documentation which applies to privatization. Upon completion of an auction or a subscription for stock shares, the privatization service sends the documents that have been properly filled out to the

local government and the enterprise being privatized, as well as to the appropriate privatization commission which approves the results of the auction or the stock share subscription, within a 5-day period. These results are approved by the city (rayon) privatization commissions if they apply to facilities referred to local areas and to the Central Privatization Commission if they apply to other facilities.

3. The privatization services are obliged to authorize any person who has the right to acquire the facilities being privatized (stock shares) to familiarize himself with the list of facilities being sold in the republic and a city (rayon), the initial price of the sale (stock subscription), the technical and economic indicators, and privatization programs.

4. Illegal actions by privatization services may be appealed to a city (rayon) privatization commission within 10 days of the date that the violations were ascertained, but no later than 20 days from the date that a violation occurred. This commission must consider the complaint within 7 days and inform the person who made the complaint within 3 days. If the decision does not satisfy the complainant, it may be appealed within 10 days to the Central Privatization Commission. The regulations in this section do not apply in cases where criminal or administrative proceedings have been brought against guilty parties.

5. When privatization services complete their activity, their employees have the right to be placed in a job at their former work place or in state institutions and organizations (institutions and organizations of local government), except in cases where a privatization service has been dissolved or some of its employees have been dismissed because of failure to carry out their responsibilities or because they broke the law.

### PART III. THE OBJECTS AND SUBJECTS OF PRIVATIZATION

#### Article 7. The object of privatization

1. An object of privatization is an enterprise, institution, building, or other state property which has been included in the privatization program. An object of privatization may not be:

1) an enterprise which has not been registered in conformity with the laws of the Lithuanian Republic which regulate enterprises' activity;

2) individual fixed capital (fixed property in active use) of an operating enterprise, except for the fixed capital which has been listed by the Government of the Lithuanian Republic;

3) the property of citizens of the Lithuanian Republic which was nationalized, confiscated, or taken punitively against their will by the state by other means and which may be returned to its owners or their legal successors in conformity with the laws of the Lithuanian Republic; and

4) state property which is not subject to reassessment in accordance with the regulations established by the Government of the Lithuanian Republic.

2. The list of facilities to be privatized and sold only for freely convertible currency is approved by the Supreme Council of the Lithuanian Republic as requested by the Government of the Lithuanian Republic.

3. Other facilities in the economy of the republic and the local economy which are not subject to privatization, as well as enterprises which may function only as state enterprises, may be established by decrees of the Government of the Lithuanian Republic, as well as the decisions adopted in conformity with them by upper-level local governments (as applied to local facilities).

4. Cultural and educational facilities may be included in the privatization programs only in coordination with the Ministry of Culture and Education of the Lithuanian Republic, and protected natural resources and territory may be included when coordinated with the Environmental Protection Department of the Lithuanian Republic, but only after the list of these resources have been approved by the republic's government.

Pharmaceutical and therapeutic institutions may be included in the privatization programs only in coordination with the Ministry of Health of the Lithuanian Republic, transportation enterprises may be included only in coordination with the republic's Ministry of Communications, and power generation facilities may be included only when coordinated with the Ministry of Energy of the Lithuanian Republic.

Objects related to the landscape, urbanization and architecture, archeology, history and art built (established) before 1940, as well as other facilities categorized in the established procedure with items receiving state protection, may be included in privatization programs and evaluated only in coordination with the Cultural Heritage Inspectorate and the Environmental Protection Department of the Lithuanian Republic.

5. With respect to objects that have been evaluated as being part of the cultural heritage in the procedure stipulated by the Law, contracts on their protection are concluded with the persons who acquire these objects.

6. Facilities must be prepared for privatization by the administration of enterprises and institutions, the founders, or other organs of state authority and administration for the area of regulation which applies to the facility being privatized. The following must be prepared for the facilities being privatized:

1) a certificate reappraising the property, drawn up in accordance with the rules stipulated by the Government of the Lithuanian Republic;

2) a certificate of the enterprise board of directors on the authorized capital and structure, as well as the soundness of forming share capital for a state (state shareholding) enterprise; and

3) other information on facilities to be privatized stipulated by this Law.

7. An enterprise engaged in monopoly production (provision of services) whose specialized commodities (services) being delivered for the republic or city (rayon) market constitute over 50 percent of the volume of goods (services) in this market is subject to division into separate facilities for privatization (when the technical opportunities are present). When division of the enterprise is not possible, the procedure for its privatization is stipulated by the Central Privatization Commission.

8. The board of directors, supervisory council, or general meeting (conference) of employees of an enterprise (institution) which has not been included in a privatization program has the right to submit a proposal to the appropriate privatization commission that the enterprise (institution) be privatized. The privatization commission should make a decision and respond to enterprises (institutions) such as these within two months.

#### **Article 8. Reevaluation of facilities being privatized**

1. The reevaluation of facilities for privatization (recalculation of the remaining value of fixed capital) is performed by the inventory commissions set up in the procedure stipulated by the Ministry of Finance of the Lithuanian Republic. The document on property reassessment (the amount of authorized capital) is signed by the manager of administration, the chief financial officer (head bookkeeper), the chairman of the supervisory council (auditing commission) of the enterprise (institution), and a representative of the inventory commission, and it is approved by the founder. If the facility being privatized does not have an administration, a certificate on its reevaluation in the area of regulation concerned is signed and approved by the persons empowered by the organ of state authority and administration. Reevaluation of a facility to be privatized (recalculation of the amount of authorized capital) is carried out in the procedure specified by the Government of the Lithuanian Republic and in accordance with the rules stipulated previously.

2. A group of experts appointed at the request of the Cultural Heritage Inspectorate of the Lithuanian Republic by the Government of the Lithuanian Republic has the right to raise the price for items in ourcultural heritage which has been fixed in accordance with their recalculated residual value.

3. The Central Privatization Commission has the right to raise the initial price, set in conformity with the rules approved by the government, for facilities (amount of authorized capital) to be privatized which are being sold only for freely convertible currency in the procedure stipulated by the Law, based on the conclusions of the expert commission formed by the Government of the Lithuanian Republic.

4. The amount of state capital of an enterprise privatized in conformity with this Law may not be subjected to

recalculation or any other adjustment by a change in the value of this enterprise's property.

5. The Ministry of Finance of the Lithuanian Republic has the right to require a repeated inventory of an enterprise's property and verification of the amount of authorized capital.

[29 Mar p 2]

[Text]

#### **Article 9. Persons who have the right to acquire privatized property**

1. Citizens of the Lithuanian Republic may acquire privatized facilities (stock shares). This provision does not apply to the acquisition of available state and public housing facilities.

2. Juridical persons may not purchase privatized facilities (stock shares) with rubles.

3. Physical and juridical persons of Lithuania and other states have the right to purchase privatized facilities (stock shares), included in a separate list approved by the Supreme Council of the Lithuanian Republic, for freely convertible currency.

4. Privatized facilities (stock shares) may not be purchased by institutions of state authority and administration, state and state shareholding enterprises, or enterprises, institutions, and organizations being financed through the state budget and the budgets of local governments in the Lithuanian Republic.

#### **Article 10. Representation**

A physical person (group of persons) has the right to authorize another person, in accordance with the power of attorney established in notarial procedure, to represent him at auctions or during the announced subscription for stock shares and to perform the appropriate legal actions. The persons authorized may not be employees of the administrations of local governments, ministries, and other state institutions (local government institutions), privatization services, or members of the board of directors and supervisory council, the manager of administration and the chief financial officer (head bookkeeper) of an enterprise being privatized if the execution of their powers are related to the privatization of this enterprise. Relationships in the government field are regulated by the Civil Code of the Lithuanian Republic.

### **PART IV. PAYMENTS FOR A PRIVATIZED FACILITY BEING PURCHASED**

#### **Article 11. Ways and means of payment for a privatized facility being purchased**

1. Privatized facilities are sold and transferred for state one-time payments (investment checks), assigned in the procedure stipulated by Article 12 of this Law, for

money valid in the Lithuanian Republic or freely convertible currency, or for additional special-purpose compensations paid in conformity with other laws of the Lithuanian Republic.

2. Each person who has the right to purchase privatized state property in conformity with Article 9 of this Law is authorized to use money (rubles) to purchase privatized facilities. Their quotas are stipulated by the decree of the Supreme Council of the Lithuanian Republic: "On implementation of the Law of the Lithuanian Republic on the initial privatization of state property." This right may be transferred by a person only to his or her spouse, parents, children, brothers and sisters. The sums of money spent by tenants to acquire apartments in state and public housing are not taken into account in the monetary quota established. In the event that a person deliberately fails to adhere to the quota of money (rubles) stipulated for investments, the sum of money that has been invested illegally is recovered in legal form for the State Budget of the Lithuanian Republic. The Central Privatization Commission approves the list of privatized facilities that are sold without application of the quota of money (rubles). Only the privatized facilities that continue to be unsold in the procedure stipulated by this Law may be included in this list.

3. Monetary quotas are not set for the purchase of a privatized facility for freely convertible currency in the procedure stipulated by this Law.

4. A privatized facility (stock shares) may be sold by installments, at preferential interest rates, in the procedure stipulated by the Ministry of Finance of the Lithuanian Republic.

5. Private investment accounts are opened for persons who have been given a state one-time payment or other compensation, and the sums of the state one-time payments and other special-purpose compensations assigned in conformity with the laws of the Lithuanian Republic are entered in them. The money (rubles) used for investments in accordance with the monetary quotas stipulated is transferred to the same investment accounts. The sums of money (rubles) available in an investment account which have not been used to purchase privatized facilities (stock shares) should be transferred to the accounts of the persons who entered these sums.

6. The regulations for handling investment accounts and payment for the privatized facility (stock shares) being purchased are stipulated by the Ministry of Finance of the Lithuanian Republic and the Bank of Lithuania.

#### **Article 12. The conditions and procedure for allocating state one-time payments and special-purpose agricultural compensations**

1. State one-time payments make up two-thirds of the value of privatized property, and two-thirds of the value of all state property (except for land) is apportioned to

implement privatization. State one-time payments are earmarked for all citizens of the Lithuanian Republic in the following proportions:

- 1) five shares for persons 35 years of age before 31 December 1990;
- 2) four shares for persons 30 years of age before 31 December 1990;
- 3) three shares for persons 25 years of age before 31 December 1990;
- 4) two shares for persons 18 years of age before 31 December 1990; and
- 5) one share for persons under age 18 before 31 December 1990. If one of the parents of a person died before 31 December 1990, this person is given the payment indicated in Paragraph 3 of this part, but if both parents died, he receives the payment indicated in Paragraph 1 of this part; and
- 6) the payment indicated in Paragraph 1 of this part is earmarked for disabled persons in Groups I and II, regardless of their age.

The state one-time payment is not earmarked:

- 1) for persons considered to be dangerous recidivists; and
- 2) for persons supported by the state, if they are considered incapable and do not have guardians.

One share of the state one-time payment is calculated in monetary terms and approved by the Government of the Lithuanian Republic in conformity with the provisions of this article.

2. Taking into account the difference between the average wage in Lithuania and the average wage in the republic's agriculture, supplemental special-purpose agricultural compensations (agrarian checks) are being allocated, in conformity with separate laws of the Lithuanian Republic, to persons employed after 1944 and who continue to be employed at present in agricultural enterprises.

3. A person who has been allocated a state one-time payment or other special-purpose compensation may turn them over only to his or her spouse, parents, children, brothers and sisters by means of entering the funds in the investment account of the person for whom the payment or compensation is relinquished. These payments and compensations are inherited in a common procedure.

4. The procedure for allocating state one-time payments and other special-purpose compensations is stipulated by the Government of the Lithuanian Republic.

**Article 13. The use of state one-time payments and special-purpose compensations**

1. State one-time payments or other special-purpose compensations are used only to purchase privatized facilities (stock shares) unless otherwise specified by the laws of the Lithuanian Republic.
2. A person purchasing a privatized facility (stock share) with a state one-time payment must pay 5 percent of the cost of the property acquired in money.
3. The Government of the Lithuanian Republic sets the end of the period for using the state one-time payment and other special-purpose compensations to purchase privatized facilities (stock shares) and announces this no later than three months in advance. The state payments and other special-purpose compensations which have not been used during this period by the public in the procedure and amount stipulated by the Government of the Lithuanian Republic are exchanged for state (local government) loan bonds made out in the owner's name unless stipulated otherwise by laws of the Lithuanian Republic. Upon expiration of the term of the state (local government) bonds, a bond must be redeemed in accordance with the wishes of its owner or his heir.
4. Before 1 July 1992, a person does not have the right to sell or otherwise release to another person the stock shares and state (local government) loan bonds purchased for state one-time payments and other special-purpose compensations or rubles, except to transfer them to his or her spouse, parents, children, brothers, and sisters. Monetary dividends may be paid to the owners of such stock shares only after 1 January 1992 unless otherwise stipulated by laws of the Lithuanian Republic.

**PART V. THE SALE OF PRIVATIZED FACILITIES****Article 14. Methods of initial privatization**

1. State property is privatized in conformity with this Law by means of:
  - 1) the sale of privatized facilities at auction; and
  - 2) announcement of open subscription for stock shares.
2. A facility that has been privatized (stock shares) is sold to a physical person on the basis of private ownership and to a group of physical persons on the basis of common shared ownership or joint ownership by spouses.
3. A privatized facility whose initial sale price is more than 500,000 rubles is sold only by means of announcing an open subscription for stock shares. This condition does not apply to facilities sold for freely convertible currency. The sum of the nominal value of the shares issued should be equal to the amount of state capital (the part of it subject to privatization) of the privatized facility, calculated according to the rules stipulated by the Government of the Lithuanian Republic.

4. State shareholding enterprises and state enterprises with share capital are privatized only by announcing an open subscription for stock shares.

5. If all of an operating enterprise is sold without its division into individual facilities for privatization, the physical persons who acquired it, as well as the enterprises established by them, assume all the rights and responsibilities of the enterprise. When an operating enterprise has been privatized by dividing it into individual facilities able to function as enterprises, the rights and responsibilities of the privatized enterprise are divided among the purchasers of the privatized facilities in accordance with the regulations stipulated by the Government of the Lithuanian Republic. The Government of the Lithuanian Republic has the right to full or partial liquidation of the privatized enterprise's loans.

6. The stock shares of the enterprises held by the organs of state authority and administration may be sold only by the announcement of open subscription for stock shares in the procedure stipulated by this Law. Authorization should be obtained from the appropriate privatization commission for any stock shares sold in 1991.

7. The state property of liquidated enterprises may be sold only at auctions in accordance with the rules stipulated by Article 16 of this Law.

**Article 15. The use of funds obtained from the sale of privatized facilities**

1. Revenues from the sale of privatized facilities (stock shares) are accumulated in the Republic Privatization Fund, as well as in the privatization funds of upper-level local governments.
2. The Republic Privatization Fund is made up of receipts from the sale of privatized facilities (stock shares) in the area of regulation handled by the Government of the Lithuanian Republic, as well as 70 percent of the funds obtained from privatizing facilities in the area of regulation handled by local governments.
3. Funds in the amount of 30 percent obtained from the sale of privatized facilities (stock shares) in local governments' area of regulation are accumulated in the privatization funds of upper-level local governments.
4. The funds of state one-time payments and other special-purpose compensations used to purchase state property are not subject to transfer into privatization funds.
5. The procedure for making use of privatization funds is stipulated by the Supreme Council of the Lithuanian Republic.

#### Article 16. The organization of auctions

1. The organization of auctions is entrusted to the privatization services of local governments. The following data should be published by privatization services in the information bulletins on privatization issued by local governments no later than 20 days before an auction begins:

- 1) the name of the facility to be privatized (the full name of the enterprise and its address);
- 2) the time and place of the auction;
- 3) the address, telephone number, and time of operation of the auction organization service; and
- 4) the technical and economic data on the facility to be privatized, stipulated by Article 3 of this Law.

The data stipulated by Paragraphs 1 to 3 of this part should be published in the Republic Privatization Information Bulletin.

2. Solvent physical persons or a group of physical persons with a contract on formation of the group written in notarized form may be registered beforehand in the established procedure as auction participants. The following should be indicated in the contract concluded by a group of physical persons:

- 1) the names and addresses of the group's members;
- 2) the amount (share) of investments by the group members and other responsibilities and rights;
- 3) the group's representative and his authority related to participation in the auction; and
- 4) the conditions and procedure for making use of the property purchased at the auction.

The property purchased by a group of physical persons belongs to the persons who concluded the contract on the basis of common shared ownership. The obligations of group members are proportionate to their contracted contributions.

3. An auction may be held if no less than two persons have been registered to take part in it. Auction participants must be registered in the auction organization service no later than 7 days in advance of the auction, enter in an account specified by this service an amount which is 5 percent of the initial price of the privatized facility which they intend to purchase, and pay a registration fee of 50 rubles.

[30 Mar p 2]

[Text]

4. Within five days after the auction, the purchaser should pay the difference between the price set at the auction (the obligatory part of it if the facility is purchased by installments) and the initial payment. If the

purchaser has not settled accounts in the period stipulated, the auction is considered not to have taken place, and the purchaser's initial payment is not returnable.

5. A physical person may purchase a privatized facility sold at auction by installments, in accordance with the regulations established by the Ministry of Finance of the Lithuanian Republic. In this case, the purchaser should pay, in the period stipulated by Paragraph 4 of this article, no less than 60 percent of the cost of the facility, including the state one-time payments, as well as the other special-purpose compensations. The Central Privatization Commission has the right to change the amount of this percentage.

6. If the initial price has not been increased by at least 5 percent at auction, the transaction completed at the auction is considered not to have taken place.

7. If a privatized facility is not purchased by auction participants, their initial payments should be returned to them within 7 days of the auction. The registration fee is not returnable.

#### Article 17. Privatization of state enterprises when an open subscription for stock shares is announced

1. An open subscription for stock shares is announced and held by the privatization services of local governments on whose territory the privatized facility (the site of the enterprise) is located.

2. State and state shareholding enterprises which do not have private share capital formed with the investments of physical persons and private enterprises or private share capital amounting to no more than 20 percent of their authorized capital are privatized by the issuance of stock shares. The nominal value of the shares planned for issuance should make up 25 percent of the authorized capital of the enterprises being privatized. Another step in the privatization of these enterprises may be stipulated by the Central Privatization Commission.

3. State shareholding enterprises whose private share capital amounts to over 20 percent of the enterprise's authorized capital should be included in a privatization program. The specific degree of privatization is established by the management organs of these enterprises. They do not have the right to specify that less than 30 percent of the state capital at the enterprise be privatized and that the proportion of privatized state capital, together with the private capital developed earlier (by other means), amount to less than 50 percent of all the enterprise's authorized capital.

4. Only ordinary shares inscribed by name may be issued in privatizing state capital in conformity with this Law. The sum of the nominal value of shares issued should be equal to the amount of state capital of the enterprise planned for privatization.

5. In the event that only part of an enterprise's state capital is privatized, the amount of state capital remaining in it should equal the difference between the

amount of the enterprise's state capital calculated in accordance with regulations stipulated by the Government of the Lithuanian Republic and the overall nominal value of all the enterprise's stock shares that have been issued (sold).

6. When an enterprise is privatized, the number of shares issued may not be more than what was provided for in accordance with the degree of privatization stipulated. If a larger number than stipulated subscribed for shares and the subscription is considered to have been held in conformity with Paragraph 3, Article 18, of this Law, the persons who were the last to subscribe for shares should have their initial payments returned. These persons' contracts to subscribe for shares are considered not to have been concluded.

#### **Article 18. The subscription for shares**

1. The subscription for shares and the conditions for purchasing shares are announced by the privatization services of local governments no later than 15 days before the subscription begins. In announcing a subscription and the conditions for purchasing shares, the privatization information bulletins of local governments should indicate:

- 1) the name and address of the enterprise (facility);
- 2) the enterprise's authorized capital, the number of stock shares planned for issuance and their nominal value;
- 3) the initial price of subscription for shares;
- 4) the subscription's location, beginning, and completion in stages; and
- 5) the technical and economic data on the privatized facility stipulated by Article 3 of this Law.

The data mentioned in Paragraphs 1 to 4 of this part are published in the Republic Privatization Information Bulletin.

2. The subscription for stock shares is a contract between the state (local government), which is represented by the privatization services, and a physical person or group of persons, or in cases stipulated by this Law, a juridical person. Under this contract, one side is under obligation to present a specific number of shares, and the other side is obligated to pay the full price of the issue of shares for which the subscription was held. The contract is considered to have been concluded if the subscription has been for more than 80 percent of the shares planned for issuance and if the subscription has been approved by the appropriate privatization commission.

3. A subscription for stock shares is held in several stages. In the first stage of 30 days, the subscription is conducted at the initial price established by the privatization service. The initial price of subscription should be more than the nominal value of the shares. The subscription is considered to have been held if more than 80 and

no more than 110 percent of the shares planned for issuance were subscribed at the initial price. In this case, the price of the issue of shares is equal to the initial price of subscription.

4. If the subscription at the initial price was for more than 110 percent of the shares planned for issuance, a new subscription is announced at the initial price, increased by no less than 10 percent. In this case, each person who subscribed for shares has the right to demand that the payments be returned to him without any deductions whatsoever.

5. If a subscription has been held for more than 80 percent of the shares planned for issuance during the first stage, their initial price is reduced by 10 percent no more frequently than once in 10 days in the next subscription, up until more than 80 percent of the shares planned for issuance have been subscribed.

6. When the price of shares is reduced, the persons who subscribed for them earlier at a higher price must pay at the price at which the last subscription was conducted. This price is considered the price of the issue of shares. The price of the issue of shares may not be less than their nominal value.

7. Until the subscription period has ended, a person has the right to refuse shares for which he has subscribed. In this case, the sum he paid for shares is returned to him with a deduction for the republic budget of 2.5 percent of the nominal value of the shares for which the subscription was held.

8. If a subscription is held for no more than 80 percent of the shares, at the price of the shares in accordance with their nominal value, the subscription is considered not to have been held, and this is reported in the privatization information bulletin. In this case, the price of the state property at the enterprise is reduced by the appropriate privatization commission and a new subscription is announced within 10 days or the decision is made to return the initial payments to persons no later than seven days after the end of the subscription.

9. No less than 25 percent of the nominal value of the shares should be entered in the bank account specified by the privatization service without delay when a subscription is held. No less than five percent of this sum should be paid in money. If a subscription for shares is approved by the appropriate privatization commission, the persons who purchase them must pay the full cost of the issue within 30 days. When the shares are purchased in installments, the persons who purchase them must pay the full cost of the issue within two years.

10. In the event that payment for the shares is late, the shares for which a subscription was held may be nullified and the initial payment may be transferred to the appropriate privatization fund by a decision of the privatization commission concerned. After the shares for which a subscription was held are annulled and no more than 80 percent of them are left, an open subscription for the

annulled shares should be announced. Decisions with respect to the annulment of a subscription may be appealed within 10 days to the Central Privatization Commission.

11. The contract for subscription presented by the privatization service should indicate:

- 1) the name of the enterprise (facility) and its address;
- 2) the number and date of the appropriate privatization commission's decision on privatization of the enterprise (facility), the amount of private capital specified for accumulation, and the amount of state capital remaining;
- 3) the price of the stock shares for which the subscription is being held;
- 4) the name and address of the person subscribing for shares; and
- 5) the number of shares for which the subscription is being held.

12. After the subscription has been approved and the full price of the stock issue has been paid, except in cases where the shares are purchased in installments, the share capital accumulated (its increase), as well as the state capital and the charter of the enterprise which has been changed in the proper way, are registered in the established procedure by the laws of the Lithuanian Republic.

**Article 19. The invalidity of transactions concluded at an auction and a subscription for stock shares**

1. Transactions concluded at an auction, as well as the shares for which a subscription was held, may be considered invalid in legal form if:

- 1) the auction or subscription was not announced;
- 2) the facility for sale was not included in the privatization program or was included by violating the law;
- 3) obstacles to participation in an auction or a subscription for shares were put in the way of persons who hold this right;
- 4) the privatized facility (stock share) was purchased by a person who does not have the right to take part in an auction or subscription;
- 5) the privatized facility (stock share) was not sold within the period announced for holding an auction or subscription;
- 6) other regulations for announcing and holding an auction or subscription were essentially violated; and
- 7) other conditions exist to consider transactions invalid, as stipulated by civil legislation.

2. In the event that an auction or subscription for shares is considered by the court to be invalid and the privatization services of local governments are at fault, indemnification for all damage incurred in this connection is paid by the upper-level local government.

[Signed] *V. Landsbergis, chairman of the Supreme Council of the Lithuanian Republic, Vilnius, 28 February 1991.*

**Decree Implementing Lithuanian Law on Privatization of State Property**

914407514 Vilnius EKHO LITVY in Russian  
30 Mar 91 p 2

[Decree issued by the Supreme Council of the Lithuanian Republic and signed by Supreme Council Chairman V. Landsbergis on 14 March 1991: "On Implementation of the Law of the Lithuanian Republic on the Initial Privatization of State Property"]

[Text] The Supreme Council of the Lithuanian Republic decrees:

1. To stipulate that:

- 1) privatized enterprises do not have the right to change the nature of their principal activity before 1 July 1992 without the authorization of the Government of the Lithuanian Republic;
- 2) one-third of state property may be sold for money (rubles). Each person who has the right to purchase privatized state property in accordance with Article 9 of this Law is authorized to invest money (rubles) without an increase in the amount of the state one-time payment. Persons who purchase privatized facilities (stock shares) for money (rubles) must present declarations in the cases stipulated by the Government of the Lithuanian Republic;
- 3) the export beyond the border of the Lithuanian Republic of the fixed capital of production purchased at auction under this Law is prohibited for two years from the date of its acquisition;
- 4) the Central Privatization Commission is financed with funds from the State Budget of the Lithuanian Republic and city (rayon privatization commissions and services are financed with funds from the budgets of upper-level local governments; and
- 5) in order to develop a currency reserve, privatized facilities valued at up to 200 million rubles in accordance with the separate list approved by the Supreme Council of the Lithuanian Republic are sold for freely convertible currency and the receipts obtained are transferred into the Currency Reserve Fund of the Lithuanian Republic.

2. To charge the Government of the Lithuanian Republic with:

- 1) issuing the decrees necessary to implement the Law on the Initial Privatization of State Property;
- 2) submitting to the Supreme Council of the Lithuanian Republic by 30 March 1991 the draft of changes to be entered in the provisional Law of the Lithuanian Republic "On the accumulation of private capital in state enterprises"; and
- 3) submitting the list of Central Privatization Commission members for approval by the Supreme Council of the Lithuanian Republic.

3. To charge the Bank of Lithuania with:

1) setting the regulations, together with the Savings Bank and Agroindustrial Bank of the Lithuanian Republic, to put investment accounts, as well as payments for the privatized facilities (shares) that are purchased, in order by 30 March 1991 and with opening investment accounts in institutions of the Bank of Lithuania upon receipt of certificates from upper-level local governments on the state one-time payments allocated to citizens of the Lithuanian Republic; and

2) developing regulations on the payment for facilities (stock shares) purchased, without applying monetary quotas, for the purpose of preventing the receipt of rubles from the USSR.

4. To make it incumbent upon the Cultural Heritage Inspectorate of the Lithuanian Republic, together with the appropriate ministries, to work out model agreements by 15 April 1991 on the use of privatized objects in the cultural heritage and other documents stipulated by normative documents.

5. To make it incumbent upon the government and the Cultural Heritage Inspectorate of the Lithuanian Republic to submit a list of objects in the cultural heritage of the Lithuanian Republic which are not subject to privatization to the Supreme Council of the Lithuanian Republic by 31 May 1991.

6. To make it incumbent upon upper-level local governments:

1) to form city (rayon) privatization commissions by 30 March 1991; and

2) To create city (rayon) privatization services and prepare for the issue of information bulletins on privatization and also to develop draft proposals for the privatization of local economies and submit them to the government of the Lithuanian Republic by 15 April 1991.

7. to form privatization commissions and privatization services to grant permits to the representatives of parties, movements, and public organizations registered in the Lithuanian Republic to make inspections of the activity

of these commissions and services, as well as to familiarize themselves with the documentation available in them.

8. To stipulate that conducting the privatization of state enterprises, institutions, or other state property, as well as accumulating monetary funds from the people by means other than those set forth in this Law, is prohibited.

[Signed] *V. Landsbergis, chairman of the Supreme Council of the Lithuanian Republic, Vilnius, 14 March 1991.*

### Kazakh Law on Enterprises

#### Text of Law

914407224 Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 29 Mar 91 pp 3,4

[Text of "Law of the Kazakh Soviet Socialist Republic 'On Enterprises in the KaSSR'"]

[Text] This law enters into force on the territory of the KaSSR. It defines the overall legal, economic, and social principles governing the organization and activities enterprises under market conditions and under various forms of ownership.

The law is intended to guarantee the independence of enterprises; to define their rights, duties, and responsibilities while engaging in commercial activities; and to regulate the relations of enterprises with both physical and juridical persons as well as with state agencies. It functions in combination with other laws of the KaSSR.

### SECTION I. General Provisions

#### Article 1. Enterprises and the Purpose of Their Activities

1. An enterprise may be any individual or juridical person authorized to operate as a corporate body and engaging in commercial activity in accordance with its own by-laws and the provisions of this and other legislation of the KaSSR.

2. The purpose of the activities of an enterprise is determined by its owner.

#### Article 2. The Enterprise Owner

1. The owner of an enterprise may be any physical or legal person as defined by the Law of Property Ownership in the KaSSR.

2. An owner enjoys the possession, use, and direction of an enterprise, its property and products (goods or services), and the income derived from it. The enterprise operates on the basis of powers transferred to it by the owner.

A state enterprise has complete jurisdictional authority over its operations. Having exclusive control of its

property, products (goods or services), and income received, the enterprise may possess, use, and dispose of these values within the limits of the authority vested in it by the owner, and at its discretion it may undertake any activity not inconsistent with the provisions of this law. The owner, or the person authorized to act for the owner, in accordance with existing law and the enterprise by-laws (which govern the establishment of the enterprise, define its purposes and activities, and provide for its possible reorganization and liquidation), exercises control over the effective utilization and conservation of the property entrusted to the enterprise. The activities of state enterprises under lease are defined by the terms of a leasing contract.

3. The owner may choose to participate or not to participate in the operations of the enterprise. For the purpose of conducting operations in his name, the owner of the enterprise may delegate authority to his own representatives (whether physical or legal persons).

### Article 3. Kinds of Enterprises

Enterprises with various kinds of ownership and activities may operate on the territory of the KaSSR, including small enterprises:

1. An enterprise that is owned by a citizen of the KaSSR is a private enterprise.

A private enterprise is based upon private ownership of property by a single physical person or group of persons possessing the right to hire a work force for the purpose of deriving income from the property.

2. Enterprises based on collective ownership may be collective or cooperative enterprises; they may also take the form of stock companies, social organizations, or religious organizations.

A collective enterprise is formed by a transfer of state property in its entirety to a labor collective, by a repurchase of leased property, or property acquisition by other lawful means.

A cooperative enterprise is based upon contributions in the form of money or property by physical persons (on a shared basis) and presupposes their joint cooperative efforts.

An enterprise in the form of a stock company operates on the basis of ownership of shares of stock and the investment of funds into the development of a private, collective, or state enterprise.

The enterprise of a social organization is created through the assets of the organization and operates for the purpose of perpetuating its activities.

The enterprise of a religious organization is created through the assets of the organization together with the

donations of citizens and other enterprises or organizations. It functions for the purpose of perpetuating its activities as well as for philanthropic and social purposes.

3. Enterprises based upon state ownership in the KaSSR are state enterprises operated either by the KaSSR or by local soviets of people's deputies.

A republic-operated state enterprise is formed with the overall objective of increasing the economic and social development of Kazakhstan.

A locally operated state enterprise is formed to satisfy economic and social needs of the local population in a particular territory.

4. The formation, functioning, and liquidation of enterprises based upon the property of the USSR or upon that of other states, international organizations, or foreign juridical or physical persons, are subject to the provisions of this law as well as special treaties and agreements.

5. A joint enterprise is created on the basis of the pooled property assets of its founders, including foreign citizens and corporate bodies.

6. Other kinds of enterprises the establishment of which does not violate the provisions of this law may also operate in the KaSSR.

### Article 4. Kinds of Activities by Enterprises

1. Enterprises may engage in any kind of activity in keeping with the by-laws of the enterprise and are not expressly forbidden by law.

2. Without obtaining permission (a license), it is forbidden for an enterprise to engage in the following:

—conducting geological surveys and exploiting mineral deposits, forest reserves, or water resources;

—rebuilding or restoring historical or cultural monuments;

—engaging in the manufacture or sale of pharmaceutical products;

—engaging in the cultivation or sale of plants containing narcotic or toxic substances.

3. Only specialized state enterprises may obtain permission (a license) for the following:

—manufacturing or selling narcotic or toxic substances;

—manufacturing state securities, paper currency, or coins;

—manufacturing weapons or explosive materials;

—engaging in the treatment of persons suffering from dangerous and especially infectious diseases, including contagious venereal diseases and psychological disorders aggressive in nature.

The procedure for issuing licenses is established by the KaSSR Cabinet of Ministers.

## **SECTION II. Establishment of an Enterprise**

### **Article 5. Enterprise Founders**

1. The founders of an enterprise may be bodies authorized to manage state property or other juridical or physical persons.

An enterprise may be established by one or by a number of founders.

2. An enterprise is considered to be—and acquires the rights of—a corporate body from the day it is registered by the state.

3. An enterprise has the right to create subsidiary enterprises, as well as branches, departments, delegations, and other individual subunits with the rights of juridical persons.

### **Article 6. Associations of Enterprises**

1. Private and collective enterprises may unite to form unions, economic organizations, concerns, and other kinds of associations upon the decision or with the consent of the owner.

2. State enterprises may unite to form such associations only on a voluntary basis.

The establishment of associations must be carried out with due consideration given to antimonopoly requirements as set forth in legislative acts of the KaSSR.

Associations operate on the basis of by-laws established by the founder. Enterprises entering into such organizational structures retain their independence and their rights as corporate bodies. Their activities fall within the purview of the present law.

3. Structurally independent entities, having concluded their technological operations as state associations, may at their own initiative be accorded the status of state enterprises.

4. The registration of an association takes place in accordance with procedures set forth in this law for enterprises. The association constitutes a corporate body. It has its own independent and consolidated balance-sheets, current accounts, and other bank accounts, and a seal with its own designation.

5. An association is not accountable for obligations incurred by enterprises within it, nor is an enterprise accountable for the obligations incurred by the association unless otherwise indicated in the founding agreement.

6. The enterprises of an association have the right to withdraw from it, while the obligations to enterprises belonging to the association remain intact in accordance with prior agreement.

7. An association may be abolished by decision of its constituent enterprises. The liquidation of the association is carried out in accordance with procedures established for the liquidation of enterprises. Property remaining after the liquidation of the association is divided among participating member organizations in accordance with the by-laws of the association.

### **Article 7. By-Laws of an Enterprise**

1. An enterprise operates on the basis of by-laws established by the enterprise founder (founders). The content of the by-laws cannot be inconsistent with the provisions of the law.

2. The by-laws define the type of enterprise; its name and location; the object or purpose of its activity; the powers of its manager, its governing and supervisory bodies, and the fields of their jurisdiction; the work schedule; means of property formation; distribution of income; conditions of reorganization; and the termination of its activities. The by-laws also serve to define the relations between the founders, the enterprise management, and the labor collective.

### **Article 8. State Registration of an Enterprise**

1. State registration of an enterprise is carried out by the executive committees of rayon, city, and city rayon soviets of people's deputies in the areas where they are founded.

The information contained in the state registration of an enterprise should be transmitted within 10 days to the KaSSR Ministry of Finance for inclusion in a single state register of KaSSR enterprises.

The activities of an enterprise that is not duly registered are forbidden, and income derived from such an enterprise is to be confiscated for inclusion in the local budget. Failure to register the enterprise a second time entails legal consequences provided for in this section.

The fee for state registration of an enterprise is in an amount that has been previously established.

2. State registration of an enterprise requires submission of the following documents to the executive committee of the Soviet of People's Deputies:

- a declaration or statement of the founder's intention to register the enterprise;
- the by-laws of the enterprise;
- a state license if the activity to be engaged in requires special permission (Article 4).

3. State registration of an enterprise should be completed no later than 30 days from submission of the declaration of intention and the appended documents required.

The executive committee of the local Soviet of People's Deputies is entitled to delay registration until it receives favorable assessments from environmental protection and state supervisory authorities.

In the event of an objection by local self-governing bodies to the establishment of the enterprise in its territory, the founders have the right to arrange for an independent environmental impact survey, the conclusions of which will be taken into consideration in making a final decision with respect to the opening of the enterprise.

4. Registration of an association of enterprises takes place according to procedures established in this law for enterprises.

5. In cases when a parcel of land or some other natural resource is needed to establish and maintain the enterprise, permission for its use is given by the appropriate Soviet of People's Deputies. A refusal to grant the parcel of land or other natural resource must have substantial grounds. Within a 30-day period the founder or founders may appeal the decision of the local governing body in a court of law.

6. Upon alteration or amplification of the by-laws, an enterprise is required to re-register in compliance with the requirements of this article. An enterprise is subject to re-registration also in the event that it is sold, leased, or transferred to other juridical or physical persons or to the state.

#### **Article 9. Refusal to Register an Enterprise**

1. An enterprise cannot be registered under the following circumstances:

- if its activities are against the law;
- if the founding documents do not comply with the present law;
- if the results of the environmental impact study are unfavorable.

2. A refusal to register an enterprise for any other reason, including the contention that establishment of the enterprise would be inadvisable, is prohibited.

3. If an enterprise is not registered within the prescribed period, or if registration is denied on insufficient grounds, the founder who submitted the application may appeal the decision in court, file charges against the officials responsible, and obtain compensation for losses incurred.

#### **Article 10. Property of an Enterprise**

1. The property of an enterprise includes its working capital and fixed assets as well as other assets the value of

which is indicated in the enterprise's independent balance-sheet. There are no limits placed on the amount and value of property belonging to an enterprise.

2. Sources of the formation of enterprise property are:

- monetary and material contributions by the founders;
- income derived from enterprise operations;
- income from securities;
- credit from banks or other creditors;
- capital investments and subsidies from the budget;
- philanthropic or uncompensated contributions and donations from enterprises, organizations, and citizens;
- other sources not forbidden by KaSSR law.

Collective and privately owned enterprises may possess, use, and dispose of their property within the limits of their authority as defined in the by-laws.

4. [number as originally published] A state enterprise has the right to sell or transfer to another enterprise, organization, or institution, as well as to exchange, to lease, to provide free of charge temporarily, or to lend its property, including buildings, installations, equipment, transport facilities, stocks, raw materials, and other materials of value, and to write them off its balance-sheet, as well as the right to issue and sell securities unless otherwise stipulated in the by-laws of the enterprise.

5. Enterprises under lease may possess, use, and manage the property at their disposal in accordance with the terms of a leasing contract.

6. The state guarantees protection of the property rights of an enterprise. Seizure by the state of the working capital, fixed assets, or other property in use by it is prohibited, except under circumstances provided for under KaSSR law.

An enterprise is subject to compensation for losses resulting from a violation of its property rights by a corporate body, state agency, or individual citizen upon the decision of an arbitration board or judge.

#### **Article 11. Possession and Use of Natural Resources**

1. The possession and use of land or other natural resources by an enterprise must be in compliance with procedures required under KaSSR law.

2. An enterprise is responsible for complying with standards and requirements for the efficient utilization, restoration, and preservation of lands, bodies of water, forests, and other natural resources of the KaSSR.

In the event of causing ecological damage, an enterprise is required to eliminate the consequences of its actions and, in response to the demands of local self-governing bodies or through court proceedings, pay compensation

for damages and fines, which are to be credited in the budget of the local Soviet of People's Deputies.

3. The enterprise activity in violation of established procedures for natural resource utilization stipulated by KaSSR legislation, is to be suspended until the local council of people's deputies eliminates the violations being committed.

#### **Article 12. Leasing and Repurchase of Enterprises by Labor Groups**

1. An enterprise with the approval of its owner may be leased to its labor collective with or without an option to buy back its fixed capital assets.

2. The KaSSR Supreme Soviet maintains a list of state enterprises that cannot be leased or repurchased.

State enterprises not included on this list may be leased to the labor collective with an option to repurchase. Upon the decision of the owner, a state enterprise may be transferred to its workers without charge.

#### **Article 13. Attracting Funds of Juridical and Physical Persons by an Enterprise**

1. To attract supplementary funds with which to expand or improve production and encourage the social development of the work force, state enterprises have the right to issue and sell securities. Collective and private enterprises may also engage in these activities with the approval of their owners.

2. The procedure for the issuance and sale of securities by an enterprise and the various kinds of stockholders and their rights are determined by KaSSR law.

### **SECTION III. Enterprise Management**

#### **Article 14. Enterprise Management**

1. The management of a collective or private enterprises is under the direction of the owner.

2. The management of a state enterprise is conducted in accordance with its by-laws. The enterprise independently selects its table of organization and staff.

3. The hiring (selection, appointment) of an enterprise manager is the right of the owner of the enterprise property and is arranged for by him either directly or by persons or bodies authorized by him to operate the enterprise. The manager of a leased enterprise is selected by the leasing collective.

4. The contract (agreement) with the enterprise manager is concluded with him by the owner or by the person or group authorized by him. The contract specifies the rights, obligations, and responsibilities of the manager, the conditions of his maintenance and support, the duration of the contract, and terms of release from service with due consideration given to legal safeguards provided for under current law.

5. The enterprise manager independently decides matters related to enterprise operations that are within his competence as defined in the enterprise by-laws and the contract with him.

6. The enterprise manager acts in the name of the enterprise without further authorization; he represents its interests in dealing with any domestic and foreign enterprises, firms and organizations; he concludes contractual agreements, including labor agreements, or may deputize other to act for him; he may open drawing and other accounts in banks, and dispose of enterprise property as he sees fit; he approves the appointments of the executive staff; he gives instructions and issues orders mandatory for all enterprise workers.

The enterprise manager may be relieved of his duties prior to the expiration of his contract upon grounds provided for in the contract or by current law.

#### **Article 15. The Enterprise Labor Collective and Its Powers**

1. The labor collective of an enterprise consists of all citizens who by their labor participate in the activities the enterprise on the basis of hiring contracts or other forms of agreement regulating labor relations between enterprises and workers.

2. The basic means by which the labor collective of a state enterprise exercises its powers is the general meeting (conference).

The general meeting (conference) of a labor collective:  
 —decides matters related to the repurchase of enterprise property;  
 —decides on the need for concluding a collective agreement with the enterprise management, reviews enterprise plans, and empowers the union committee, or some other body, to sign the agreement in its name.

#### **Article 16. The Collective Agreement**

1. A collective agreement is concluded, for all kinds of enterprises, between the enterprise owner or his duly authorized representative and the labor collective. This agreement cannot be inconsistent with current law.

2. The collective agreement regulates relations between the enterprise owner and the labor collective with regard to social as well as production problems.

3. Differences of opinion arising in connection with signing or executing the agreement are to be resolved by a conciliation board or through the judicial process.

The conciliation panel is to be formed at the enterprise and made up of representatives of the owner and of the labor collective with equal representation given to both sides.

#### **Article 17. Employment Contract**

1. The employment contract used in hiring an enterprise worker has no prescribed form but stipulates the following conditions:

- hiring period and amount of pay upon satisfactory completion of work as stated in the worker's job description;
- obligations of the enterprise to the worker in providing the necessary work conditions and social amenities;
- obligations of the worker to the enterprise;
- procedure to be followed in dismissing a worker and the amount of compensation to be paid in the event that the contract is terminated ahead of time at the initiative of one of the parties.

2. The employment contract is signed by the enterprise manager and the worker with a copy of the contract presented to each party.

Any difference of opinion initiated by one of the parties with regard to compliance with the terms of the contract may be resolved through the judicial process.

### **SECTION IV. Principles of Enterprise Activity**

#### **Article 18. Enterprise Profit**

1. At enterprises of all kinds the basic indicator of the results of economic activity is profit.
2. The profit remaining to a state enterprise after the payment of taxes and other payments to the budget (net profit) may be used entirely at its own discretion. The enterprise determines independently how to use its net profit.
3. The profit of a private and a collective enterprise belongs to the enterprise owner and is distributed in accordance with the by-laws.

#### **Article 19. Enterprise Worker Income**

1. The income of each worker, regardless of the kind of enterprise he works in, is determined by his personal contribution of labor together with the income derived from stock shares, which varies with the results achieved by the enterprise. This income is subject to taxation, but there is no limit on the amount of earnings.
2. The system and procedures to be followed in paying wages, as well as in distributing other kinds of worker income, and the payment schedule are established independently by the enterprise.

#### **Article 20. Planning the Activities of a State Enterprise and Providing It With Materials and Machinery**

1. A state enterprise independently plans its own activities and charts its prospective development.

2. The enterprise, operating independently or through intermediaries, arranges for the supply of production materials, machinery, and capital construction by acquiring such resources on the market for goods and services.

3. The enterprise acquires and sells products, goods, or services at its own discretion and fills state orders on a contract basis. The procedure for the placement of state orders is determined by the KaSSR Cabinet of Ministers.

#### **Article 21. The Economic Contract**

1. An economic contract is the basic document that determines the rights and obligations of parties involved in the economic relations between an enterprise and its distributors (sellers) on one side and the purchasers of products (goods, services) on the other.

2. A private or collective contract is entered into either independently by the enterprise or at the instructions of the enterprise owner, depending on the procedures established by the owner.

3. A state enterprise enters into contracts independently.

4. For failure to fulfill a contract or to fulfill it properly, an enterprise is responsible to provide compensation for losses incurred, including lost income, and to pay any penalties provided for in the contract.

#### **Article 22. Prices and Price-Setting**

1. Enterprises sell their products, goods, services, and by-products of production at prices established either independently or by contract.

2. Direct state regulation of prices occurs only in cases established by the KaSSR Supreme Soviet.

#### **Article 23. Credit and Accounting Relations**

1. Enterprises use credits on a commercial contract basis.
2. The account transactions of an enterprise in fulfilling its obligations to other enterprises or physical persons are carried out in both book-entry form and through the use of available funds.
3. An enterprise may supply products, perform work, or render services on credit with payment by purchasers (consumers) on a percentage basis for the use of loaned funds.
4. For a violation of credit-accounting discipline enterprises bear property liability provided for under KaSSR law.
5. Enterprises exercise independence in selecting the bank to serve their needs.

#### **Article 24. External Economic Activities of an Enterprise**

1. An enterprise has the right to engage in external economic activity independently under KaSSR law.

2. Foreign exchange earnings are entered in the foreign current account of the enterprise and may be used by it independently after requisite deductions are made in the budget. Other withdrawals of the foreign exchange of an enterprise are prohibited.

#### **Article 25. Social Activities of an Enterprise**

1. Issues of social development, including improving working conditions, living conditions, and the health of the workers, as well as providing obligatory medical insurance for the work force and their families are to be addressed by the management of the enterprise with the participation of the labor collective in accordance with legislative acts of the KaSSR.

2. An enterprise is under obligation to provide safe working conditions for all enterprise workers and bears legal responsibility for any on-the-job injuries to their health or capacity to work.

3. Pensioners who prior to their retirement worked at an enterprise enjoy on an equal basis with those who are currently employed the facilities available for medical services, housing, and travel authorizations to convalescent and treatment institutions, as well as other social services and amenities provided for by decision of a general meeting (conference) of the collective.

4. The enterprise is under obligation to work steadily to improve the conditions of work and daily life for women and to make sure that their work is in accordance with legislation on protecting the labor of women.

5. The enterprise management, by agreement with the labor collective, shall provide for its workers additional periods of leave, a shorter work day, and other social amenities within the limits of earned resources set aside to meet worker needs.

6. The enterprise may also give material encouragement to persons working in medical, cultural, educational, sporting, or child-care facilities, food-service organizations, and other support organizations that are not members of the labor collective itself.

### **SECTION V. The Enterprise and the State**

#### **Article 26. Enterprise-Budget Relations**

1. Enterprises, regardless of their form of ownership, pay taxes on profits and make other payments to the budget in accordance with KaSSR law.

2. Tax rates on profits for all types of enterprises are established by the KaSSR Supreme Soviet.

#### **Article 27. Commercial Secrets of Enterprises**

1. The term commercial secret refers to information, other than state secrets, related to industrial or technological information, to the management or financing, or

to some other activity of an enterprise the disclosure (transmission or unauthorized leaking) of which could damage its interests.

2. The amount and volume of information constituting commercial secrets and the security system with which to protect them is determined by the enterprise manager with the concurrence of the owner.

To prevent concealment by enterprises of information about environmental pollution or other activities of a harmful nature that might cause damage to society, the KaSSR Cabinet of Ministers maintains a list of enterprise activities information about which cannot constitute a commercial secret.

3. Liability for disclosure of a commercial secret of an enterprise as well as for security violations in connection with its disclosure is established by KaSSR law.

#### **Article 28. Records and Accounts**

1. Enterprises maintain operational and bookkeeping records of their work and also keep statistics.

2. The forms of statistical records for the state are established by the state statistical bodies. They include only factual data with the locations and times of submission.

It is forbidden to require statistical records in violation of the procedures set forth in this law. Information not available in state statistical records may be submitted by an enterprise on a contractual basis or in response to a body duly authorized to monitor certain aspects of enterprise activity.

3. Senior officials of an enterprise are liable under the law for any deliberate distortions of records and accounts required by the state.

#### **Article 29. Monitoring Enterprise Activities**

1. An audit of the financial and economic activities of an enterprise make take place only at the initiative of its owner or his authorized representatives or under circumstances provided for in the by-laws.

2. An enterprise is required to submit to a review of its activities by the state tax inspectorate and other state bodies authorized by the laws of the USSR or the KaSSR to monitor enterprise activities within their jurisdiction. The enterprise has the right not to comply with any requirements by these bodies pertaining to matters beyond their jurisdiction. It also has the right to refrain from bringing to their attention materials that have no bearing upon the matter under review.

3. The results of an audit and monitoring activities are to be made available to the enterprise concerned.

#### **Article 30. Protecting the Rights and Interests of Enterprises**

1. The KaSSR guarantees:

- the enforceability of this law;
- equal protection of the rights of enterprises, regardless of the form of ownership;
- stable rates of enterprise payments to the budget;
- equal rights to enterprises, regardless of the form of ownership, in their access to material, financial, labor, natural, intellectual, and informational resources, and in terms of credit, price formation, investment, foreign economic, and other activities;
- protection of enterprise property from unlawful seizure;
- prohibition of monopolistic practices and conspiring to create unfair competition by certain enterprises.

Any interference in the economic or other activities of an enterprise by cooperative, public, or state bodies is prohibited.

2. State and public bodies and their officials, in making decisions affecting enterprises and the relationships with them, bear responsibility for complying with the provisions of this law.

In the event of issuance by the state or any other body of an enactment that either exceeds its jurisdiction or conflicts with the requirements of this law, the enterprise may appeal to have the enactment declared invalid in court. By judicial decision or the judgment of an arbitration board, any losses incurred as a result of such an enactment may require compensation.

3. The rights of the labor collective and individual workers are protected by contractual agreements between worker, the enterprise, and the union; by the collective contract; and by current laws of the KaSSR.

#### **Article 31. Enterprise Liability**

1. For violations of contractual obligations, credit accounting, tax laws, production quality requirements, or other regulations governing the conduct of an enterprise in its economic activities, the enterprise is fully liable with respect to property under KaSSR law.

Payment of fines and penalties for breaches of contract and compensation for resulting losses do not exempt the enterprise without the consumer's consent from fulfilling its obligations to deliver the products, perform the work, or render the services due.

2. The enterprise is required to provide compensation for losses resulting from a failure to comply with requirements for the efficient utilization of land and other natural resources; requirements for protecting the environment against harmful pollutants; for violating production safety rules or codes of sanitation and hygiene to protect the health of its workers, the local population, or the consumers of its products. The enterprise is required also to pay fines and penalties in amounts established by law.

The operations of an enterprise in violation of procedures established to safeguard the proper use of the environment may also be brought to a halt, pending elimination of the violations committed, in accordance with legislative acts of the KaSSR.

#### **SECTION VI. Liquidation and Reorganization of an Enterprise**

##### **Article 32. Conditions for Liquidating and Reorganizing an Enterprise**

1. Liquidation and reorganization of an enterprise (by merger, joining, division, separation, or transformation) occurs by decision of the property owner or the body empowered to establish such enterprises, or by decision of a court or arbitration board. The reorganization of the enterprise, which can have ecological, social, demographic, and other consequences, must have the approval of the local Soviet of People's Deputies.

2. An enterprise may be liquidated under the following conditions:

- declaration of bankruptcy;

- if a decision has been made to ban the activities of the enterprise for not having fulfilled conditions prescribed by law, or for not having complied with conditions required within a certain period set by decision of a court, or for not having changed the type of operation;

- if the founding acts establishing the enterprise have been declared invalid in court;

- on other grounds stipulated in KaSSR legislation.

3. An enterprise is considered liquidated or reorganized from the time it is stricken from the state register of KaSSR enterprises.

4. In the event of a merger of the enterprise with another enterprise, all property rights and obligations of each of the enterprises convey to the enterprise that is formed as a result of the merger.

When one enterprise joins another, all property rights and obligations of the joining enterprise convey to the enterprise that is joined.

5. In the event of the division of an enterprise so as to form new enterprises by this division, property rights and obligations, as indicated in the act of division (balance statement), convey to the enterprises in proportional shares.

When one or a number of new enterprises separate from an enterprise, the property rights and obligations of the reorganized enterprise, as indicated in the act of division (balance statement), convey in proportional shares to each of them.

6. Upon the transformation of one enterprise into another, all property rights and obligations of the previous enterprise convey to the newly created one.

#### **Article 33. The Liquidation Commission**

1. The liquidation of an enterprise may be carried out by a liquidation commission, which is formed by the owner or body authorized by him; or, in the event of bankruptcy, by a court or the State Board of Arbitration. By their decision liquidation may also be carried out by the management or body designated by the enterprise itself.

The owner, the body empowered to establish the enterprise, or a court, having decided to liquidate the enterprise, establishes the procedure and liquidation deadlines, including a period not less than two months from the liquidation announcement within which creditors may file claims.

2. The liquidation commission or other body carrying out the liquidation is required within 30 days to publish a public declaration in the official press at the place where the enterprise is located, announcing the liquidation, the procedures to be followed, and the period within which creditors may file claims. Together with this announcement, the liquidation commission (or body carrying out the liquidation) is required to collect enterprise debts, to divulge creditor claims, and to notify the creditors of the liquidation.

3. The liquidation commission (or body carrying out the liquidation) makes an appraisal of the property on hand belonging to the enterprise being liquidated, negotiates with the creditors, forms a balance of accounts for liquidation purposes, and submits it to the owner or to the body that designated the liquidation commission.

#### **Article 34. Satisfaction of the Claims of Creditors**

1. The claims of creditors against an enterprise being liquidated are satisfied from enterprise assets. First in order of priority is the satisfaction of debts owed to the budget and remuneration for the cost of restoring lands used by the enterprise being liquidated.

2. Claims divulged or declared after the expiration of the designated period are settled from the enterprise property that is left after satisfying the priority claims, divulged claims, and the claims declared by creditors within the designated period.

3. Claims that have not been satisfied owing to an insufficiency of property assets are considered canceled. Moreover, any claims that have not been recognized by the liquidation commission (or body conducting liquidation proceedings) are canceled if within one month of the time the claimants were informed that their claims were to be partially or wholly rejected do not file a claim in court or with the Board of Arbitration.

4. In liquidating the enterprise, any indebtedness by the enterprise in connection with the death, injury, or other harm to the health of a citizen is to be paid.

5. In liquidating the enterprise, after satisfying the claims of creditors, the investment of a member of the labor collective shall be returned to him in the form of cash or securities.

6. Any property remaining after satisfaction of the claims of creditors and of members of the labor collective may be used at the discretion of the owner.

7. In reorganizing an enterprise, its rights and obligations are transferred to its successor.

[signed] *N. Nazarbayev, president of the Kazakh Soviet Socialist Republic, Alma-Ata, 13 February 1991*

#### **Decree on Law's Implementation**

914.40722B KAZAKHSTANSKAYA PRAVDA  
in Russian 29 Mar 91 p 4

[Text of Decree of the KaSSR Supreme Soviet On Bringing Into Force the KaSSR Law "On Enterprises in the KaSSR"]

[Text] The Supreme Soviet of the Kazakh Soviet Socialist Republic **decrees**:

1. That the law of the KaSSR: "On Enterprises in the KaSSR" shall enter into force on 1 April 1991;

[except that] Article 20 Item 3, Article 21 Item 3, and Article 22 Item 1 shall enter into force on 1 January 1992.

2. Before this law enters into force, the KaSSR Cabinet of Ministers shall:

—devise a procedure for issuing licenses authorizing enterprises to engage in various types of activities, as provided for in Article 4;

—submit to the KaSSR Supreme Soviet a list of state enterprises that are not subject to leasing and repurchase;

—work out a system for placing state orders with enterprises in accordance with the provisions of Article 20.

—submit a proposal to the KaSSR Supreme Soviet for making current KaSSR legislation consistent with the KaSSR law: "On Enterprises in the KaSSR";

—arrange for a review and alteration as required of regulations, including departmental instructions, issued by ministries, state committees, and KaSSR government agencies, that are inconsistent with the provisions of this law;

—prepare a list of products the prices of which shall be subject to state regulation and submit it for approval to the KaSSR Supreme Soviet;

—adopt the resolution required to bring into force the law of the KaSSR: "On Enterprises in the KaSSR."

Prior to 1 January 1992:

The KaSSR Cabinet of Ministers shall arrange for the registration of all enterprises presently in operation that have not yet gone through the state registration process. Registration is to be carried out by the rayon, city, and city rayon executive committees of the soviets of people's deputies.

3. The Committee on Industrial Development, Transport, and Communications of the KaSSR Supreme Soviet shall have oversight responsibility for implementation of the KaSSR law: "On Enterprises in the KaSSR."

[signed] S. Abdildin, deputy chairman of the KaSSR Supreme Soviet, Alma-Ata, 13 February 1991

## INTERREGIONAL, FOREIGN TRADE

### Moldovan Foreign Economic Deals Criticized

91UF0725A Moscow PRAVDA in Russian 7 May 91  
First Edition p 2

[Article by PRAVDA correspondent A. Pasechnik: "Solo for Barter With Orchestra: How Economic Independence Is Understood in Moldova"]

[Text] Kishinev—Everyone knows that victory usually has many parents, but defeat is always an orphan. I thought about this not long ago when I heard a stormy debate in the parliament of Moldova about the failure of the foreign economic activity of the republic. Deputies were indignant with respect to individual personalities, and those accused the government, which, in turn, referred to the "intrigues of the center."

But how promising everything was in the beginning! The last year went here in the local press, it can be said, under the very popular rubric "Contacts and Contracts." Numerous reports on this subject created the impression that the entire Western business world could not wait until Moldova finally turned its face toward them. And it finally happened! Businessmen on constant visits to the republic eagerly gave extensive interviews in which they generously promised to flood the republic with commodities. As the saying goes, no problem. They even, for example, took it into their heads to deliver papaya in small quantities. Not everyone here, of course, knows what it is, but, nonetheless, it is pleasant.

Life, however, is arranged so that it is advisable to combine the desirable with the pleasant. But here it was much worse: month followed month, but the pleasant promises did not have any noticeable useful effect on the catastrophically empty counters and generally on the economy of the republic. Moreover, from time to time, reports started to seep into local newspapers (by an oversight?) about scandalous "punctures" in foreign trade activity. Either large batches of freight which were being sent to the West, bypassing the norms and rules that exist here, were detained at customs in Ungeny, Reni, and Chop, or it is discovered that commodities

have gone abroad that are nowhere to be found here. Or it suddenly becomes clear: the partner with whom an agreement has been struck turns out to be, figuratively speaking, not the dancing partner one expected.

In this connection, I cannot help mentioning an incident about which gossip has not quieted down in Kishinev for half a year. One day a Western businessman appeared here, who was a Romanian by birth and is now a citizen of one of the overseas countries. Introducing himself as a millionaire, he literally charmed some of the leaders here with the breadth of his business interests and proposals of fabulously profitable contracts. He was given first-class treatment, he was put up in apartments for the most important guests, and tens of thousands of rubles from the state treasury were squandered on all of this. But, shortly after the "millionaire," who had a merry time in Kishinev, departed for his country, it was disclosed that he was an arrant swindler.

The scandals that were permanently cropping up, however, were only a prelude. A real scandal broke out when, at the urgent demands of the deputies of the Supreme Soviet of the republic, a specially created parliamentary commission checked on the foreign economic activity of the government. The facts that were disclosed in this, in my opinion, disconcerted the commission members themselves, not to even mention the parliamentarians. "Chaos," "robbing the republic," "an economic crime"—these emotional expressions by the deputies at those battle sessions, believe me, were not the strongest expressions.

Such a reaction is understandable: a person is rarely delighted when he finds out that he was soundly swindled. But here the republic was swindled. The ball was led by barter; that is, the exchange of commodity for commodity. It is a kind of solo for barter with an orchestra of dozens and hundreds of energetic people, heaven knows where they came from, who interpret in their own way the sovereignty proclaimed by Moldova and who are quick to get everything out of it that lies in temptation's way. Moreover, there is one principle: "Commodities are exported at low prices, but they are imported at prices that exceed prices on the world market. As a result, the republic sustains losses in two ways: the list of commodities for exchange and hard currency"—this is a quotation from the commission findings.

Among the many cases cited in the document, I will select several. For example, 145 tons of tomato paste were exported to Austria and almost 1,000 tons of sunflower seeds. And what was in exchange? Thirteen automobiles, 370,000 diskettes, 67 computers, and 93 tons of soap. Moreover, the sunflower was calculated in the barter at a price one-fourth lower than the foreign market level, but the soap—correspondingly 30-40 percent higher. A transaction with Romania: to there 10 million eggs, and from there, about a thousand typewriters and 60,000 bottles of Albanian cognac. DPRK: 77 tons of aluminum utensils and 148,000 rubles [R] in

tableware in exchange for 100,000 cassettes. It can be asked: What do not the Koreans have tableware? It is simply that they need the metal, and so they took these utensils at prices only one-third higher than the cost of nonferrous metal scrap on the world market. On the other hand, we "ripped off" the aforementioned cassettes at a price 15 times higher (!) than they cost on this market. You really have to look for lop-eared clients like us.

Or another example—how we managed with China. We bartered 148 tons of honey and 168 household deep-freezers (for which there are long lines on a list in Kishinev) for 2,000 radio-tape recorders.

And so on. Metal and meat, clothing and shoes, fabrics and bed linen went abroad. But in the fall I was unable to get eggs for ration coupons. Coupons have now been issued for clothing and shoes—maybe I will get hold of some. Here the leaders of the government are trying to make us understand that what is going abroad is surplus. "Eggs are surplus? Tableware is surplus?" one of the agrarian deputies said indignantly at a meeting of the session. "In our kindergarten, four are eating from one plate. And in the hospital..."

Here is another typical episode with the "surpluses." A large quantity of cow hides were sent beyond the border, but the new big leather plant near Kishinev is provided even by quotas only two-thirds of this raw material which is in such short supply. "For the most part, these transactions stipulate delivery abroad in substantial volumes of raw materials, food, and consumer goods; that is, commodities in increased demand, whose severe shortage is felt by the population and enterprises of the republic, and the imports are audio and video equipment and passenger cars" (from the findings of the commission).

With due respect to all of the work that was performed by the parliamentary commission, and understanding the difficulties that it encountered—the data, for example, had to be gathered literally by fragments, inasmuch as no one in fact is conducting a general account and a general analysis of the foreign economic activity in the republic—it must be acknowledged that the commission did not succeed in getting beyond the scope of a simple statement of the facts. But the main thing lies elsewhere: What is behind these facts? Or who? In their angry speeches, the less diplomatic deputies most frequently mentioned M. Druk, the republic's prime minister, who, in their opinion, approached business unprofessionally, and personally protected many questionable transactions. But, still, the only consequence of this Kishinev "Watergate" was the quiet retirement of state minister G. Gaindirek (as is claimed, a first cousin of the premier), who was personally mixed up in certain unauthorized operations. Well, the commission had the time to delve deeply and expand its findings; but, in any case, the parliament did not pass a decree on this issue, and it postponed it to the spring session, which opens on 14 May. One would like to hope

that the more than two-month break was used by the commission not so much to seek additional data on the entire complex of foreign economic relations of Moldova as to reflect on the concept of these relations and their strategy.

In the meantime, alas, one cannot see here even an approach to such a concept. After all, one cannot take seriously as strategy the general enthusiasm for barter, which last year amounted to nine-tenths of all foreign trade operations in the republic. Is this not a fact which is worth thinking about very deeply? And, incidentally, not only in Moldova. After all, in its essence, barter—an abnormal phenomenon in international trade practice—itself signifies the economic omnipotence of one partner and the illegality of the other.

"Yes, our market is poor, yes, there is a severe shortage of hard currency," V. Stratulat, the chief of the USSR Foreign Economic Bank in the city of Kishinev, told me. "And, nonetheless, barter is our economic shame for which we lose both money and prestige in the business world, and which distorts the meaning of foreign economic relations. We exchanged sunflower for soap. Soap, of course, is necessary, but to operate according to the principle of 'we will swap without looking' is also not useful. We should have thought, looked, and sold that sunflower at a higher price, and with the gain we could have bought twice as much soap. And bought it, take note, from a producer and not from a middleman, for whom our barter is a golden rain. You think, who for the most part is making the rounds here in Kishinev? It is the middlemen who for the time being feed themselves on our economic helplessness and ignorance. It is not accidental that in the West barter is a minuscule part of trade, and that it is not encouraged at all by the government: it is easier to hide profits in barter operations."

Judging by certain steps of the Union Government, we also are beginning to grasp this difficult knowledge. What I have in mind, in particular, is the December decree of the Council of Ministers of the Country in accordance with which the conclusion of all barter transactions for 1991 is being suspended, except for several individual cases. However, Moldova did not ratify this decree, and since the beginning of the year barter is playing solo with its former force. But the governmental foreign economic commission is supporting it with its former persistence, brushing aside such tiresome formalities as quotas and licensing of products being exported. "There is nothing the center can dictate to us! Enough!"—that is what hovers in governmental offices that have been guarded for some time by submachine gunners.

Of course, there is enough of dictation. Indeed, it is also impossible now. That is why there is a radical change in the central and local schemes of administration of our foreign economic activity, shifting emphasis to the side of the latter. For example, the Kishinev administration of the Foreign Economic Bank got an opportunity to do business with many banks of the world, bypassing

Moscow. But, if under dictate is meant suppression of illegal foreign trade operations that cause damage to the state, then I am for such a dictate. But that same V. Stratulat, for example, began to object here, when he resolutely opposed the intentions of the Moldovan Government to purchase wheat abroad on credit, being granted to the center that is so objectionable to some, at a price that is higher than the level of the world market. And even from the rostrum at the session, he impulsively asked the premier why he is encouraging the deposit of hard currency abroad.

It was a situation, by the way, that was rather uneasy, and already of interest to the procuracy. Earlier mention was made of a batch of cow hides sent abroad; the 167,000 foreign currency rubles that were due according to the contract did not arrive in the republic. And this, the experts suppose, is not the only case. Something like this is considered to be one of the most serious financial crimes in the entire civilized world, entailing not only an immediate closing of the firm, but other harsh measures, as well. Apparently, it is considered otherwise in Moldova.

Another representative of the "imperious structure," A. Zhosan, a representative of the Ministry of Foreign Economic Relations of the country in the republic, flatly refuses to issue illegal licenses and puts a spoke in the wheels during the spinning of questionable foreign economic operations. Sic him! An effort is made quickly to compromise him, and this very experienced specialist is then "persona non grata" in many respects.

It is noteworthy that both of these professionals before the parliamentary examination were not even invited to the meeting of the governmental foreign economic commission where—think it over!—there was virtually no specialist of this type. And this is in a case where it is precisely here that there is a need for the most competent analysis, accounting, and forecast. And that foreign economic activity in general and barter as its special routine particularly require solid special knowledge and experience in the field of financial and hard currency operations, movement of goods, transport, international law, insurance, etc. These cannot be replaced by even the most jingoistic slogans and the most critical invectives directed at the center.

By the way, similar invectives are a preferred method of the leadership of the government. For the time being, the whims of the weather are not attributed to the "intrigues of the center." But it is to blame for everything else. There is not enough hard currency? But after all, according to the president's ukase, 40 percent of the earned hard currency is collected for the all-Union fund. And it turns out that the small republic is feeding almost the entire country with foreign currency rubles.

So, who is feeding whom? "At the present time, Moldova is in a position to sell its commodities on the international market for approximately 350 million foreign currency rubles. At the same time, we receive imported

equipment, raw materials, materials, and consumer goods for R1.6-R1.8 billion. Just the medical establishment of the republic itself spends almost 500 million foreign currency rubles on the purchase of medicine and equipment. I think that it is obvious where these resources come from," V. Stratulat wrote recently in SOVETSKAYA MOLDOVA. The specialist with more than 40 years of service can be believed. It just seems that it is unlikely that the barter boom that is continuing in the republic will change this ratio.

And one more thing about barter Kishinev style. When, as we saw, raw materials, food products, and utensils are exchanged for television sets and even automobiles, it is clear to me from whom it is taken and exported. But for whom are the imports? Question. For example, for the time being Volvos somehow are not ending up in villages.

## PRICES, BUDGET, FINANCES

### Ukrainian Finance Minister on Repeal of Tax on Everyday Goods

914.0741A Kiev PRAVDA UKRAINY in Russian  
2 May 91 p 3

[Article by A.N. Kovalenko, Ukrainian SSR minister of finances: "Exempted From the Tax..."]

[Text] The press has published the Ukrainian SSR Council of Ministers decree: "On the Repeal of the Sales Tax on Everyday Goods." At the request of a correspondent of UKRINFORM, A.N. Kovalenko, Ukrainian SSR minister of finances, comments on this document:

In conjunction with the fact that, while carrying out reform of retail prices, the Union Government did not provide for reliable social protection of the population, this action has evoked tension in society and led to a significant deterioration in the living standard of people, especially those who have little monetary income. In order to somehow soften the negative consequences of reform, during April the government of the republic adopted a whole series of rulings while examining additional measures for the material support primarily of vulnerable categories of citizens.

For example, increases in compensation payments by five rubles [R] have been introduced in the Ukraine, the monthly monetary grant for children and lower income families has been increased, a longer period of time for payment of grants to women raising children has been stipulated, measures for material support of nonworking women who have three or more children less than 16 years of age have been adopted, and payments to one of the two parents caring for disabled children have been established. Increased costs for meals are being compensated for students in higher and secondary special educational institutions. Prices on individual sausage products have been examined. It has been recommended that

the executive committees of the local soviets decrease the extra charges on the output of public catering enterprises.

Beginning 20 April children's industrial goods, children's food goods, student notebooks and textbooks, newspapers, journals, and the cost of food in dining halls and cafeterias of general education schools, vocational training schools, secondary special institutions, and higher educational institutions were exempted from the five-percent sales tax.

I will remind you that the sales tax, introduced by ukase of the president of the USSR on 29 December 1990, has been collected on the territory of the Ukraine since February of this year. Under the conditions of the limitations on financial resources resulting from the crisis state of the economy and the periodic strikes, the money from this tax is needed very much so that to some degree difficulties may be eased in the financing of construction of housing and social and cultural facilities and of measures to ensure targeted development of the countryside, elimination of the consequences of the disaster at the Chernobyl nuclear power plant, social protections for the disabled and retirees, and other urgent programs.

At the same time, in conjunction with the fact that an abrupt increase in retail prices has made that tax fairly substantial for the population, the government of the republic has decided to repeal collection of the tax on a series of everyday goods. At first the circle of goods was limited, as I have already noted, to children's goods. Now, beginning 1 May, the most important food products will not be subject to the tax—meat, fish, dairy goods, eggs, flour, cereal, salt, tea, margarine products, bread, bakery products, pasta, confectionery products, potatoes, vegetables, produce, fruits, and berries. As we see, practically all the foods which make up the basis of the daily food ration of each person are being exempted from the tax.

In addition, undergarments, stockings, socks, soaps, detergents and cleansers, most types of silverware, and household articles made of metal will be sold without this tax. It is worth noting that the repeal of the tax from all the aforementioned groups of goods will permit the population to save more than R4 billion when purchasing them. A substantial savings!

As the readers probably remember, when V.P. Fokin, prime minister of the republic, was speaking recently at a session of the Ukrainian SSR, he said that the government he heads would do everything possible to lighten the burden which has fallen on our people in conjunction with the reform of prices. The words are being followed by the appropriate deeds. We need to hope that employees in the trade sector have made all the necessary changes ensuing from the Ukrainian SSR Council of

Ministers decree and that our fellow citizens who are coming to the stores today are already feeling its effect.

### Critical Budget Deficit in Kyrgyzstan

914.40741B Moscow *TRUD* in Russian 12 May 91 p 2

[Report by E. Baybakpayev: "All Hope Is on Credits"]

[Text] Bishkek—At a meeting with local economists, Askar Akayev, president of Kyrgyzstan, called the financial and economic condition of the economy a crisis.

A budget deficit of more than three billion rubles is paralyzing any activity directed at improving the present state of the economy. The government of the republic, which has not received a single ruble from the Union fund, is in search of credits, including preferential credits. The \$100 million in credit which South Korea gave the country was used in the republic for the most part to improve production of consumer goods.

Work has begun on a republic-level economic program of a fundamental nature. It has been decided to enlist both Soviet and foreign experts for this.

### Baltic Contributions to USSR Budget Viewed

914.40747A Riga *LATVIJAS JAUNATNE* in Latvian 14-16 Mar 91 p 1

[Article by A. Jauce: "How Much Will We Pay Into USSR Budget?"]

[Text] Talks between the Latvian and USSR finance ministries on how much we must pay into the union budget have already been dragging on for two months now. As Premier Ivars Godmanis stated Wednesday in parliament, the matter concerns financial relationships—involving the center—with other republics, not payments to the center.

It may be that the tactic employed by Latvia and Estonia—attempting to reach agreement on a potentially smaller sum for inclusion into the USSR budget—will turn out to be more farsighted than Lithuania's determination not to pay a single kopek toward the so-called assistance fund. Such action toward our southern neighbors could result in future procurement of raw materials for production taking place only at free[-market] prices, and could mean that they will ask 20 or 30 times more for cotton than up to now.

How much is being asked from Latvia toward the union budget? The USSR's financial specialists are no longer hankering for as much as they did the first time, when they came up with a sum of 3.2 billion—a little less than this year's republic budget. Nevertheless, Moscow continues to be greedy, asking a billion for the economic stabilization fund—the main task of which is to support backward republics—and 458 million toward the USSR budget deficit. As I. Godmanis stated, these figures are absolutely unacceptable to Latvia. In the opinion of financial specialists in Latvia, of the 636 million rubles

requested for the finance of combined programs, our republic could contribute some 358 million to the USSR purse—such a sum might be economically justified.

Not only is Moscow greedy, it also has a poor memory, forgetting that a price hike has already been implemented in Latvia—state subsidies for many goods have been removed, and compensation is being paid out to the population. Moscow says that following the price reforms in the Union, we will have to include 2.2 billion to cover the additional expense.

For the time being, the figures established by the USSR Ministry of Finance have yet to be accepted by the Baltic republics, Armenia, Georgia, or Moldova. Russia, which has been especially critical of the price hike, has signed the agreement with the USSR Ministry of Finance.

"On the political front, Yeltsin's conflict with Gorbachev is absolute, but on the economic front, they have an altogether different relationship," underscored I. Godmanis during a meeting with deputies.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Kolkhoz Role in Multi-Layered Economy Discussed

**Kukhar Discusses Role, Disputes Yeltsin**

914B01554 Moscow SELSKAYA ZHIZN in Russian  
15 Mar 91 p 2

[Article by I. Kukhar, USSR people's deputy and chairman of the Union Council of Kolkhozes: "Kolkhozes in a Multi-Layered Economy"]

[Text] Today kolkhoz production appears as a powerful system of large-scale socialist agricultural enterprises. At the beginning of 1990, there were 27,940 kolkhozes. There were 169.5 million hectares of agricultural land assigned to them, including 97.6 million hectares of arable land. Approximately 12 million persons were working at kolkhozes. On average, each farm included 6,500 hectares of agricultural land, approximately 2,000 head of cattle, 1,130 hogs, 1,700 sheep and 45 tractors. On average, one farm produces almost three million rubles' worth of gross output annually.

The proportion of kolkhozes in all-union production is as follows: grain—one half, sugar beets—89, sunflower seed—73 percent, cotton—two thirds, milk—40, and meat—27 percent. Together with the private plots of kolkhoz members, the kolkhozes produce more than one half of all agricultural marketable output.

The figures and facts cited indicate that the kolkhozes have accumulated considerable production potential and are playing a leading role in providing the country with food goods. At the same time, only weak use is being made of their potential for increasing the production of goods or for improving the lives of the peasants. Some scientists and social figures are even of the opinion that the kolkhozes generally are incapable of effectively employing the productive forces of agriculture.

Let us examine the situation to see if this is so.

Certainly, if we view the kolkhozes as state enterprises, which they essentially were for many decades, then it is possible to agree with this opinion. In those areas where a kolkhoz member is not responsible for the final result and where he is not called upon to handle the products produced, truly no good results can be expected.

The unequal exchange between cities and rural areas had a ruinous effect upon the kolkhoz economy. It was mainly because of this factor that the wages of kolkhoz members remain considerably lower than that of industrial workers. And for all practical purposes, the difference has not decreased over the past 20 years. The total amount of income per family member is higher in the cities. In 1989, for example, the total amount of income for each member of a family of industrial manual or

office workers was 2,125 rubles and that for kolkhoz members—1,528 rubles, or 72 percent.

Over a period of many years, the "taming" of kolkhozes by means of the command-administrative system left its mark. It succeeded in exterminating among many kolkhoz members the sense of being master of their land and on many farms it created an atmosphere of lethargy and lack of industry. Nevertheless, the bureaucratic system was unable to eradicate the democracy and natural devotion to the land that was organically characteristic of the peasants.

True, there were periods when the country's grave situation forced the command-administrative system to weaken its hold over the kolkhozes. For example, such was the case following the 19 April 1948 decree of the USSR Council of Ministers entitled "Measures for Improving Organization, Raising Productivity and Regulating Wages at Kolkhozes," the decisions handed down during the September (1953), March (1965) and May (1982) plenums of the CC CPSU and certain other documents, which for a period of time furnished some breathing space for kolkhoz independence and initiative and created more or less favorable economic conditions for development. An improvement was noted immediately: the productivity of the fields and farms and also labor productivity increased and the economy became stronger. But once again the vises were drawn tighter and the positive trends suppressed. The following data was typical in this regard: the average annual production of agricultural products, in comparable prices, increased: during NEP [New Economic Policy] (seven years)—by five billion rubles, following 1953 (seven years)—by 5.6 billion rubles, and following 1965 (five years) - by 5.5 billion rubles. For a period of two years following 1982, the average annual increase in output was higher than that during NEP. Hence the reason for the improvement or decline in agricultural production was to be found not in the form of ownership but rather in the economic conditions of management and in the material interest of the workers.

During the course of perestroika, certain positive adjustments were noted in the development of the kolkhoz economy. However, there have still been no decisive changes and the economic independence which the kolkhozes are achieving and which everyone appears to agree with is being realized only in a very weak manner.

Here are some facts. A food tax has been introduced for kolkhozes commencing in 1991 and the goszakaz [state order] remains. In some republics, their level has been established in a manner so as to encompass all marketable products. In such a case, how is it possible to enter the market? Just as in the past, the possibility of an unequal exchange between cities and rural areas continues, since monopolistic practices in the establishment of prices for industrial products have not been eliminated. By way of confirming this fact, we can refer to the computations of the USSR Supreme Soviet Committee for Agrarian Questions and Food Goods. They

reveal that the increase in wholesale prices for logistical resources for the rural areas and in the purchase prices for agricultural products, as carried out in 1990, provided agriculture with a profit of 36 percent and losses amounting to 38 percent. This indicates that even many profitable kolkhozes have now become unprofitable.

Emphasis must be placed upon the fact that, notwithstanding the declared priority for agricultural development, logistical support for the branch is not only not improving but in fact it is even becoming worse and in the final analysis it is forcing the farms to engage in an exchange in kind in products and to reduce their production and sale of products needed by society.

Nevertheless, neither the shortcomings in the economic managerial mechanism nor the weak nature of the logistical base can hinder the conversion of the kolkhozes over to the market economy. And today, with the conditions having been created for equal development of the various forms of management, they are prepared for serious competition with the various producers of goods. The market relationships through the new economic mechanism, cooperation and leasing are making it possible for the kolkhozes to reveal their potential to the maximum possible degree and to increase their production of goods. The legal base that has been created is making it possible, through the privatization of kolkhoz-cooperative ownership, to raise the interest of kolkhoz members in the results of their labor. And share funds have already been formed on many farms, personal accounts have been established, dividends are being paid out and land parcels have been defined.

At the present time, an energetic search is underway at kolkhozes for better intra-organizational structures, based upon the use of contracts, leasing relationships and cooperative operating principles, which will make it possible to restore true masters of the land and production.

The democratic essence of kolkhozes is not making it possible to employ extensively the joint-stock and other forms of market relationships. For example, farms are being integrated on an extensive scale with other agricultural and industrial enterprises, banking and construction organizations and joint production operations are being created with them. At some kolkhozes, intra-organizational subunits are converting over to the status of cooperatives, while others are being transformed into associations of peasant farms. Such formations, in conformity with existing legislation, are being granted the right to operate lands earlier assigned to kolkhozes. This land is considered to be allocated to the peasant farms in perpetuity. The chief consideration here is to not infringe upon the right of selection by the collectives

themselves and their individual workers and to rule out any and all dictatorial policies from the side, from above or from below.

Thus we cannot agree with the speech delivered on 9 March by chairman of the RSFSR Supreme Soviet B.N. Yeltsin, in which for all practical purposes he called for the destruction of the democratic foundations of kolkhozes. B.N. Yeltsin categorically advocated the carrying out of a land reform using dictatorial methods. In his opinion, the authorized representatives approved personally by the chairman of the Supreme Soviet must, over the course of a month's time, resolve the questions concerned with the transfer of land, while declaring invalid, despite the existing laws, the documents pertaining to land tenure. This means that for a certain period of time the kolkhoz lands, with their buildings, perennial plantings and winter crop sowings, will not belong to anyone.

This can only be viewed as coercion applied to the collective farms and to millions of kolkhoz members. At the same time, while striking a blow against the kolkhozes and other agricultural enterprises, B.N. Yeltsin is creating unsolvable food difficulties for the municipal population. Indeed, the foundation for the harvest is being established at the present time with spring field work unfolding out on the fields at a maximum tempo.

The statements by B.N. Yeltsin appear as well thought out and deliberate actions aimed at breaking up the kolkhozes. They cannot be justified either by the experience accumulated during farm development or by the humane goals of the future and thus they will not find support among the kolkhoz members.

During this complicated period devoted to fighting for their interests, the kolkhozes, as never before, need solidarity and unity of action. This can be achieved only through the maintenance of a unified and restored union.

#### **Peasant Groups' Unity Urged**

914B0155B Moscow SELSKAYA ZHIZN in Russian  
12 May 91 p 1

[Letter from S. Avramchenko, Village of Tavricheskoye, Vostochno-Kazakhstanskaya Oblast: "Kolkhozes in a Multi-Layered Economy"]

[Text] Some kolkhozes, even those which have joined together, are capable of achieving very little. But indeed we have, in addition to the Union Council of Kolkhozes, the USSR Peasant Union. Why don't they join together into one organization? Then this powerful organization of peasants could protect and defend more completely the interests of all agricultural workers.

## POLICY, ORGANIZATION

### Current Consumer Goods Price List, Commentary

*914D01954 Moscow TRUD in Russian 9 May 91  
pp 1,2*

[Article by V. Golovachev, TRUD political correspondent: "What's in the Mysterious Market Basket? On the Subsistence Minimum Calculated by Specialists from the Council of the General Confederation of Soviet Trade Unions"]

[Text] Today the list of the mysterious minimum "consumer market basket," about which so much has been said recently and essentially nothing is known, was published. What does this market basket look like? In and of itself the term is highly conventional, used to refer to the minimum selection of food and industrial goods and services essential to man. In the given instance it is a matter of the most modest satisfaction of essential needs and restoration of forces. That is, that without which man cannot live more or less normally.

For some reason this "market basket" was long kept behind seven seals here, a secret. That is understandable, certainly. Publish the "market basket" list and people will demand they be guaranteed all of it. But in former times that wasn't so easy to do—there weren't enough goods, and the cost of the "market basket" was such that it proved beyond the reach of tens of millions of families. Most importantly, the salaries, pensions, stipends, and subsidies of many of the country's citizens were below the subsistence minimum. The ideologues of the administrative system, the face of which was adorned with slogans about the happy life of the people, could not, of course, admit this.

Now that a time of openness and glasnost has come, however, somehow they are in no hurry to publish these materials. This is why the Council of the General Confederation of Soviet Trade Unions (VKP) has decided to publish its own estimate of a minimum "consumer market basket," taking into consideration the unprecedented April price rises. The unions understand full well that this calculation is quite theoretical, and not only because a "market basket" must be compiled for each region, taking into account its geographic characteristics, traditions, price levels, and so on. The point lies elsewhere: even at the new prices, today you can no longer find hardly any kind of food or industrial goods in the store. Not only, say, badminton racquets, herring dishes, and wineglasses (all of which are included in the selection) but even basic footwear, trousers, and shirts.

Why then, one asks, is a minimum "consumer market basket" necessary? This is why. In the first place, with the aid of these estimates the unions can determine changes in the standard of living as a whole across the country, or, as the specialists say, on the macro level. In fact, they have long tried to convince us that as a consequence of increased incomes the country's standard of living would supposedly rise as well. But as it

turned out, even if you take official price-list prices (which you will soon be able to see only in a museum), the living standard is falling sharply. Both for the country as a whole and in individual regions.

In and of itself, knowledge of the real situation allows the unions to justify objectively decisive demands related to strengthening measures for the social safety net for the broad masses. But the significance of the calculations made is not limited to this. A hypothetical "consumer market basket," even if it is theoretical, is an important stage in determining the actual standard of living, taking into account essential purchase in the market, in commercial stores, and so on. This is the next stage, and the unions are actively involved in just such calculations.

Let us return, though, to the "consumer market basket" published today. Many people are probably bewildered by the standards employed in the calculations. What coat lasts seven years in Siberia? Can a refrigerator keep going 17 years when, given current quality, it becomes unserviceable in a few years? But none of these standards—both for industrial goods and for food—come out of thin air. Some are recommendations of the Institute of Nutrition; others have been worked out by specialists from the All-Union Scientific Research Institute on the Market and Demand. Scholars probably know better, but still, many standards seem to have dated and could use serious correctives.

The "market basket" published today was calculated by the unions for the average statistical man of working age. Why specifically for him? Because the unions bring together mostly workers, and the orientation here is on the head of the family. The unions, I would point out, do have other estimates and "market baskets"—for the pensioner, per capita population, for specific professions and social groups. . . .

Here is what's interesting. Comparing the variant "market baskets" prepared by the specialists of the VKP Council and analogous materials of the USSR Ministry of Labor and the USSR State Committee for Statistics (Goskomstat), it is easy to uncover very great differences. For instance, the subsistence minimum last year was set by the state organs at 93.3 rubles (R) (with consideration for kolkhoz market prices). This year the subsistence minimum, according to official data, is R180-200. An analysis conducted by union specialists gives a completely different sum: a per capita average this year of R270. As we see, a difference of over R70. Quite a substantial difference. After all, such estimates are very important in determining on the macro level minimum guarantees for salaries, pensions, stipends, and subsidies. I would add that for a man of working age, the average minimal consumer budget according to the [1991] price list, as the estimates of the union specialists show, is R320.

If we take not the theoretical "market basket" but real life, then the subsistence minimum rises significantly. Clearly the unions must stand up for people's interests

even more actively and energetically. An important stage in this direction was the Agreement between the VKP Council and the USSR Cabinet of Ministers, in accordance with which the cabinet presented the Soviet president with a draft resolution on the minimum consumer budget. The draft does not give concrete figures but merely determines a general methodology for calculations. For now, as we said, the unions and the state organs are keeping their own accounts. This is not for the good of the cause. It is long since time to join together and honestly determine the subsistence minimum for the country, the republics, and other regions. Right now both sides would seem to be ready for this.

One more question that we must mention. In analyzing the standard of living, the unions do not have complete annual data on the actual consumption of food production or purchase of industrial goods by population groups by income level. For example, how much meat does a family in Sverdlovsk living below the poverty line eat? How much milk and fruit? How many linens or suitcases does it buy? Are the same data applicable to

more prosperous families? This kind of research is being conducted by Goskomstat only once every three years, and the materials become available only after significant delays. With the standard of living changing so quickly, it would probably make sense to think about conducting this analysis annually. Perhaps it would be worthwhile to the unions to conduct an analogous alternative analysis themselves.

Today, even according to official data, about 90 million people, or a third of the country's population, probably fall below the poverty line. The unions' research paints an even gloomier picture: every second person falls below this tragic line.

The analysis of concrete rather than theoretical per capita consumption by various population groups would allow the unions to determine strategy and tactics in the fight for the people's vital interests. The unions have taken the first step by calculating a minimum "consumer market basket." Everyone can now compare the standard minimum and what actually goes on in his own family. Now we must continue this work.

**Food Goods: Cost Estimate for the Minimum Food "Consumer Market Basket" for a Man of Working Age at the New Prices**

	Minimum Standard Per Year (kg.)	Price According to 1991 Price List (rubles)	Value Accrued in a Year (rubles)
1. Rye bread and flour	35.00	78	27.30
2. Wheat bread and flour	64.00	94	60.16
3. High quality wheat bread and flour	7.00	1.40	9.80
4. Macaroni products	7.00	1.30	9.10
5. Rice	3.00	2.20	6.60
6. Semolina	8.00	1.50	1.20
7. Millet	1.60	1.10	1.76
8. Buckwheat	2.60	1.68	4.37
9. Oats	2.00	0.98	.78
10. Legumes	3.00	90	2.70
11. Other groats	6.00	1.00	.90
12. Sugar	26.00	2.00	52.00
13. Vegetable oil	8.00	3.00	15.00
14. Margarine	6.00	3.00	27.00
15. Meat, poultry, meat products (expressed in terms of meat)	64.00	6.67	427.00
16. Fish and fish products	32.00	2.33	51.30
<b>Milk and milk products</b>			
expressed in terms of milk			
17. Whole milk	12.00	50	600.00
18. Skim milk	16.4	33	541
19. Lard	4.8	8.80	39.60
20. Cottage cheese	6.0	2.00	20.00
21. Sour cream	4.0	2.50	10.00
22. Cheese	4.0	6.40	25.60

**Food Goods: Cost Estimate for the Minimum Food "Consumer Market Basket" for a Man of Working Age at the New Prices (Continued)**

	Minimum Standard Per Year (kg.)	Price According to 1991 Price List (rubles)	Value Accrued in a Year (rubles)
23. Eggs—apiece	250.00	.18	45.00
24. Potatoes*	110.00	.50	55.00
<b>Vegetables, melons, and gourds</b>	<b>135.00</b>	<b>1.17</b>	<b>157.60</b>
25. Cabbage	35.00	.28	9.80
26. Tomatoes	20.00	2.50	50.00
27. Carrots	10.00	.50	5.00
28. Cucumbers	8.00	3.30	26.40
29. Beets	10.00	.30	3.00
30. Onions	10.00	.70	7.00
31. Other vegetables	22.00	1.20	26.40
32. Melons and gourds	20.00	1.50	30.00
33. Fruits and berries	52.60	2.83	149.11
34. Other products			40.00
<b>Annual total</b>			<b>1304.29</b>
<b>Monthly total</b>			<b>108.69</b>

\*For potatoes, vegetables, fruits, and berries, contractual prices were established. The estimate was made on the basis of 1990 purchase prices, corrected for predicted price increases.

**Nonfood Goods: Cost Estimate for the Minimum Nonfood "Consumer Market Basket" for a Man of Working Age Based on the 1991 Price List**

Item	Number in Reserve	Term of Use (years)	1991 Price	Annual Purchase Cost
CLOTHING, LINENS, SHOES				
<b>Coats</b>				
Winter coat	1	7	360.00	51.43
Transitional coat	1	7	250.00	35.71
Raincoat	1	4	180.00	45.00
Jacket	1	4	240.00	60.00
<b>Street clothes</b>				
Wool suit	1	3	575.00	191.67
Polyester-wool suit	1	3	245.00	61.67
Polyester-wool trousers	1	2	70.00	35.00
Summer trousers	1	2	48.00	24.00
Pullovers and sweaters	2	3	78.00	52.00
Shirts	4	2	16.50	33.00
Work clothes	1	2	20.00	10.00
Sports outfit	1	3	134.00	44.67
<b>Underwear</b>				
Pajamas	1	2	18.80	9.40
T-shirt	4	2	4.70	9.40
Knit underwear	2	2	18.50	18.50
Boxer shorts	4	2	4.50	9.00
Swimsuit	1	2	11.75	5.88
Tie	2	3	7.10	4.73

**Nonfood Goods: Cost Estimate for the Minimum Nonfood "Consumer Market Basket" for a Man of Working Age Based on the 1991 Price List (Continued)**

<b>Item</b>	<b>Number in Reserve</b>	<b>Term of Use (years)</b>	<b>1991 Price</b>	<b>Annual Purchase Cost</b>
Cotton socks	5	1	1.40	7.00
Wool socks	1	1	7.00	7.00
<b>Headgear, Scarfs, Gloves</b>				
Wool scarf	1	3	10.00	3.33
Cloth scarf	1	3	6.00	2.00
Fur cap	1	3	44.00	14.67
Cap	1	3	9.00	3.00
Wool gloves	1	2	1.90	.95
Knit cap	1	4	7.00	1.75
Umbrella	1	5	23.00	4.60
<b>Footwear</b>				
Lined boots	1	3	40.00	13.33
Half-boots with polyurethane sole	1	2	25.00	12.50
Leather shoes (half-boots)	1	2	76.00	38.00
Rubber footwear	1	3	16.00	5.33
House slippers	1	1	11.00	11.00
Athletic shoes	1	1	80.00	80.00
Tennis shoes	1	3	8.00	2.67
Summer shoes	1	2	18.00	9.00
<b>Bed and table linens</b>				
Quilted cover	1	9	54.00	6.00
Pillow	1	7	22.00	3.14
Flannelette blanket	1	7	27.00	3.86
Blanket cover	2	4	50.00	25.00
Sheets	2	4	30.00	15.00
Pillowcase	3	4	6.00	4.50
Hand towel	2	3	2.40	1.60
Bath towel	2	4	11.00	5.50
Kitchen towel	2	3	2.50	1.67
Handkerchief	5	2	1.80	4.50
<b>Electric razors, appliances, and lamps</b>				
Refrigerator	1	17	430.00	25.29
Washing machine	1	17	100.00	5.88
Vacuum cleaner	1	14	69.00	4.93
Iron	1	7	33.00	4.71
Chandelier	1	10	75.00	7.50
Kitchen lamp	1	10	10.00	1.00
Electric razor	1	10	5.00	.50
<b>Radios, televisions, and film equipment</b>				
Television	1	12	440.00	36.67
Radio	1	12	64.00	5.33

## CONSUMER GOODS, DOMESTIC TRADE

JPRS-UEA-91-027  
31 MAY 1991**Nonfood Goods: Cost Estimate for the Minimum Nonfood "Consumer Market Basket" for a Man of Working Age Based on the 1991 Price List (Continued)**

Item	Number in Reserve	Term of Use (years)	1991 Price	Annual Purchase Cost
Tape player	1	10	230.00	23.00
Camera	1	12	75.00	6.25
Camera film	4	1	1.00	4.00
Cassette tape	3	1	10.0	30.00
Clocks, all types	2	10	35.00	7.00
Bicycle	1	15	162.00	10.80
<b>Sporting goods</b>				
Skis and ski boots	1	6	48.00	8.00
Skates	1	8	20.00	2.50
Badminton racquet	1	7	23.00	3.29
Ball	1	4	10.00	2.50
Backpack	1	6	50.00	8.33
Chess set	1	10	6.00	60
<b>Room furniture</b>				
Clothes cupboard	1	20	343.00	17.15
China cabinet	1	20	450.00	22.50
Bookshelf	1	20	324.00	16.20
Sofa bed	1	15	325.00	21.67
Armchair	1	15	100.00	6.67
Chair	1	10	33.00	3.30
<b>Kitchen furniture</b>				
Dining table	1	15	80.00	5.33
Stool	1	1	11.00	1.10
Cupboard	1	20	39.00	1.95
Work table	1	15	101.00	6.73
Bread box	1	5	8.00	1.60
<b>Entry furniture</b>				
Coat closet	1	25	200.00	8.00
Mirror	1	20	45.00	2.25
Shelf	1	10	4.00	.40
<b>Dinnerware</b>				
Soup plate	6	7	2.50	2.14
Small plate	6	7	2.30	1.97
Soup spoon	6	20	1.00	.30
Table knife	6	20	1.55	.47
Fork	6	20	.80	.42
<b>Tea service</b>				
Teapot	1	6	4.50	.75
Cup and saucer	6	6	4.00	4.00
Butter dish	1	6	3.70	.62
Wineglass	6	6	1.00	.60
Teaspoon	6	6	1.10	.33
Sugar bowl	1	6	1.80	.30

**Nonfood Goods: Cost Estimate for the Minimum Nonfood "Consumer Market Basket" for a Man of Working Age Based on the 1991 Price List (Continued)**

Item	Number in Reserve	Term of Use (years)	1991 Price	Annual Purchase Cost
Herring dish	1	6	5.00	.83
<b>Kitchen ware</b>				
Aluminum pot	1	10	3.47	.35
Enamel pots, various sizes	3	10	6.00	1.80
Iron skillet	1	9	3.00	.33
Enamel teakettle	1	6	11.00	1.83
Aluminum colander	1	8	3.00	.38
Ladle	1	15	3.25	.22
Kitchen knife	1	20	1.50	.08
Meat cleaver	1	15	16.00	1.07
Wash basin	1	8	3.20	.40
Enamel mug	1	6	1.30	.22
Bucket	1	6	3.00	.50
Cutting board	2	5	1.20	.24
Items of sanitation, hygiene, and medicine				78.00
Newspapers and magazines				65.00
Other expenses (holiday expenses, flowers, gifts, etc.)				40.00
Total annual expenses				1524.24
Total monthly expenses				127.02

Note: Calculations were based on the 1991 price list issued by the USSR State Committee on Prices. For several goods the 1990 price list was used, corrected for the maximum price increase established by the decree of the USSR Cabinet of Ministers "On the reform of retail prices and the social safety net."

**Summary Expenses: The Minimum Consumer Budget Calculated for a Man of Working Age Based on the 1991 Price List**

	(rubles per month)
Total consumer expenses	316.00
Including	
Food	108.7
—(including the cost of restaurants, tobacco, and alcohol)	144.0
Nonfood goods	127.00
Services (communal, domestic, cultural-educational, transport, communications)	42.00
Dues	3.00
Taxes	4.00
Total income (the subsistence minimum)	320.00

**FOOD PROCESSING, DISTRIBUTION****Speedy Government Support of Privatization Reported by Ukrainian Milk Enterprise**

914F02164 Kiev KOMSOMOLSKOYE ZNAMYA  
in Russian 23 April 91 pp 1,2

[Interview with Viktor Aleksandrovich Veretennikov, general director of the Dnepropetrovsk Pridneprovskiy Dairy Combine and people's deputy of the Ukrainian SSR, by S. Tikhii: "Price Reform? No, State Gangerism!"]

[Text] It would seem that discussions regarding the privatization of state property plays the same role among us as did recent dreams of a bright future. But the more boring the oral pronouncements from high tribunes

concerning the development of perestroyka, the more attention must be given to the individual attempts at implementing privatization. Our guest speaker today is Viktor Aleksandrovich Veretennikov, general director of the first people's enterprise in the Ukraine—the Dnepropetrovsk Pridneprovskiy Dairy Combine—and people's deputy to the Ukrainian SSR.

[Tikhiy] Viktor Aleksandrovich, as is known, people tire most of all from having to wait. It is already six years that our Soviet individual has been waiting.

[Veretennikov] Yes and we finally have taken a decisive step. Our combine, which includes six plants and three separate shops (and this represents 1,000 workers at the leading enterprise and 50-150 at branch facilities), engaged in processing 30 percent of the dairy raw materials of Dnepropetrovsk Oblast, has in essence become the branch's first people's enterprise. Moreover, it is interesting to note that on 13 November V.P. Fokin was elected chairman of the Ukrainian Council of Ministers and that on the 14th he signed the order establishing "our" first privatization.

[Tikhiy] Certainly, this all sounds very great. But you can imagine that if the head of government personally turns over any enterprise, then combines such as yours will for a long period of time fulfill the usual role of "Potemkin villages."

[Veretennikov] Nor is this the most dangerous factor. When we prepared the privatization program, we thought we would encounter the principal difficulties at the governmental level. And we were very satisfied when we passed this stage. But the most complicated period was still up ahead. It was at the site that we encountered bitter resistance by the middle and petty layer of bureaucracy. The bureaucrats were the first to reorganize and go on the attack. One encounters, for example, an important oblast leader. He greets you with outstretched arms—he says good work, the first step taken towards the market. But two visas must be obtained.

And there is a small clerk who begins to "boil water": here they are not conforming to the instructions. Everything is altered within a week's time and he is already finding new pretexts. In all, this consumed three months of our time. Later, the clerk looked upwards and sang about the first step taken towards the market: yes, he made his own arrangements so that I would not obtain a visa but rather looked for hooks.

[Tikhiy] And nevertheless, Viktor Aleksandrovich, was not the curiosity of the readers satisfied? How did all of this appear?

[Veretennikov] For the most part, as expected. We were transformed into a joint-stock company. Initially a state appraisal company carried out the work and this company, taking into account wear and tear of the equipment, determined the purchase value of the enterprise—1.5 million rubles. Roughly 1,000 rubles' worth of stock

shares were issued in behalf of this amount. By 1 January, we had already purchased our enterprise.

[Tikhiy] And were the enterprise's workers the only ones authorized to purchase the shares?

[Veretennikov] No. In order to interest farmers, generally those who produce milk, and intermediaries, we began selling shares in rural areas. They were purchased by farm workers, zootechnicians and some sovkhoz directors and kolkhoz chairmen. Moreover, there were some who attempted to purchase them on a non-cash basis, that is, for state or kolkhoz funds. We rejected such "shareholders."

[Tikhiy] But who had the right to decide this question—who to sell to and who should be denied sales?

[Veretennikov] The administrative council of the joint-stock dairy combine. We examined the statements jointly: it was our wish that those who could boost production would become shareholders.

[Tikhiy] Simple computations: 1.5 million rubles, 1,000 rubles' worth of stock and approximately 2,000 workers. It turns out, Viktor Aleksandrovich, that there was not even one share of stock for each "native."

[Veretennikov] Well, first of all, one and a half million—this was not the entire value. The state issued a discount. In all, we have 10 million in funds. Thus 8.5 million were converted into indivisible shares of the labor collective. In essence, they constitute our "control package," which can provide support for those who did not purchase any shares. Yes, we have such workers—they constitute approximately one half of the entire collective. But they will also have their own share of the profits.

[Tikhiy] Will it not turn out that some workers will be more interested in the results of their labor than others?

[Veretennikov] No, our psychological situation is normal. I am able to state at the present time that the attitude of people towards their work has changed sharply. Indeed, we have privileged stock and stock of a labor collective. The system has been thought out in the interest of ensuring that good work is profitable to all concerned.

[Tikhiy] And could I, for example, acquire shares of stock from you?

[Veretennikov] Not as yet. At times, we sold shares of stock in our region to those who, figuratively speaking, had no connection "with milk"—to a doctor or teacher. But they were all associated with our workers—they treat them or teach their children.

[Tikhiy] And what about securities? Is it possible that it will always be necessary to write statements and issue visas?

[Veretennikov] When we issue shares of stock for the fund for developing the enterprise, they certainly are

made available to the exchange for free sale. We are still the first to experiment in carrying out such a "release," so as to be able to reconnoitre the "underground rocks."

[Tikhiy] Viktor Aleksandrovich, the Editorial Board received many responses to the article which you published in KOMSOMOLSKOYE ZNAMYA last year concerning the market. The readers even recommended you for the post of head of government. Thus the question for you as a member of the Committee for Economic Reform: how, in your opinion, will the recent increase in prices affect a change in the economic program, the republic's budget or our specific financial affairs? Indeed, that which you are producing is by no means a luxury item.

[Veretennikov] The present increase in prices does not have economic roots. It is voluntary in nature. The increase in prices by several times for all goods will not bring about improvements in the quantity or quality of these goods, since today it is possible to reduce the output of goods with growth taking place in the enterprise's income as a result of growth in prices. We are observing this at the present time in our economy. There is no market! And today we are farther away from it than we were in the autumn of last year. In addition, the increase in prices must fully compensate the population through growth in wages. The amount of 60 rubles is ridiculous. I believe that the presidential sales tax should be abolished. Against the background of a threefold increase in prices, a 50-percent tax introduces only chaos into our economy.

In December of last year, I introduced a recommendation in the Supreme Soviet of the Ukraine calling for a food grant to be issued to the population in the amount of 22 billion rubles and in this manner to raise the prices for unprofitable but the chief food products—meat, milk, bread. In the process, the population did not suffer and the leading food branches moved from the unprofitable to the profitable ranks—the grant was not taken from the budget, but the budget itself was increased. With 25-percent taxation, the Ukrainian budget could receive a plus of approximately six billion against a budgetary deficit for 1991 of four billion. This would be a worthy addition for increasing the wages of medical personnel, teachers and pensioners.

The recommendation was supported by a majority of the deputies. But it was not voted upon in view of the fact that it was not submitted by the government. At the present time, a task has been assigned to the Council of Ministers in this regard.

But everything took place differently. The present increase in prices has nothing in common with the development and growth of commodity production. That which was done by the Pavlov government was state gangsterism: they decided to patch up holes in the budget through further impoverishment of the people. It bears mentioning that the production of the most important food products—meat and milk—once again was

subsidized, with a profitability of 1-3 percent. Thus, these branches will not develop, since 30-50 years are needed for renovating the capabilities of the new technologies.

Animal husbandry operations in the rural areas are declining. In Dnepropetrovsk Oblast alone, 49,000 head of cattle were slaughtered during the year and the reduction in the number of livestock in the Ukraine is numbered in the hundreds of thousands. The fodder fields are declining in size in a catastrophic manner. It is no longer profitable for the peasantry to engage in labor-intensive animal husbandry and this means that in the near future we can expect a new increase in prices. The governmental price mechanism already embodies ravaging of the food industry and, it follows, the consumers.

[Tikhiy] But what further, Viktor Aleksandrovich? The initial results of your experiment are awaited no earlier than the end of the year. Although I am unable to understand, for example, why it is necessary to experiment there where everything has been clear for some time now. Conversion over to the market is hardly recognized (orally) by all—as the only hope. Thus we cannot abandon privatization. But those who align with you will also begin their path with the adopted head of the government.

[Veretennikov] Certainly, this must be resolved at the local level. But this requires a good privatization law. We must entice as many enterprises as possible into the market. There is no other path. At the same time, bureaucracy understands well: its feeding trough is being removed. And whereas earlier I thought that the most powerful bureaucracy was in Kiev and Moscow, today I see: its might and sovereignty tomorrow lies with the peripheral "chiefs."

[Tikhiy] But why is it that the local authorities are holding back those factors which are advantageous for their city or settlement? Indeed, taxes exist. Could it be that they are not adjusting the tax rates?

[Veretennikov] For example, of the one and a half million paid by us, only one half went to Kiev and the remainder—to the local budget. Thus this work was very profitable for the city and village. But a definite system of authority was created, the officials of which, although not engaging in production, are private owners of the state and the state enterprises at all levels—serve as the source for their existence, a comfortable existence it bears mentioning. Thus they join battle against privatization "from Moscow to the very outskirts." They are not interested in it as a personality.

[Tikhiy] The question of a "personal" plan for a people's deputy. You were included among the more constant critics of the previous head of government V.A. Masol. And he departed. Are you satisfied with the work of V.P. Fokin, considering that the governmental structure has changed and, to put it mildly, not greatly?

[Veretennikov] It is still difficult to evaluate his work. In any case, he is progressive in his "rough drafts" and prospects and I approve. But despite the 14 November decree signed by him, only a few practical steps have as yet been taken. Yes and the difference between the two previous councils of ministers was substantial. I did not oppose V.A. Masol as an individual. I fought and continue to fight against the bureaucratic system. But just as with a leader, Masol had no prospect: his chief idea with regard to realizing sovereignty consisted of taking it away from Moscow and concentrating it in Kiev, without affecting the enterprise. And this, once again, did not produce any good results. Fokin, despite the fact that he was his deputy and to a certain degree held the same views, in my opinion was capable of fighting for the market. And I repeat that as yet only a few practical steps have been taken.

[Tikhii] Parliament, which adopted the privatization law, should have undertaken a practical step. Moreover, as a large-scale enterprise, it would be easier for you to exert pressure on a medium or small facility, not to mention the farmers. And in this regard, that which you are doing is referred to as an experiment. Will it not remain as the next bronze memorial to the new attempts to overthrow serfdom?

[Veretennikov] I have this same fear. Thus, with the aid of the Komsomol banner, I wish to search for individuals of like views in other regions of the Ukraine. I have many of them in the Supreme Soviet. Many of them are at enterprises. Yes and it is simply impossible to continue to live in this manner. All of this serves to inspire me with confidence that we are proceeding along a path that will leave us well fed and well clothed—in general, a normal economy.

## HOUSING, PERSONAL SERVICES

### Return to Private Ownership Causing Social Displacement

914D01984 Moscow TRUD in Russian 14 May 91 p 2

[Article by TRUD special correspondent P. Penezhko: "Grimaces of Privatization: Asmolov and Co."]

[Text] Rostov-on-Don—**You should have seen the faces of these people when Valeriy Pivnenko and his cheerful comrades came to them, and announced that from then on, the tenants with their scant possessions, cockroaches, and arrears in communal fee payments belonged personally to him as the head of the Asmolov and Co. joint-stock company rather than to the state.**

This has to do with the fact that the residents of Rostov-on-Don, who are unpampered by social justice, have long become accustomed to their shaky situation somewhere between the eras of developed socialism, capitalism in the period of primary accumulation, and a civil war of all against all. However, no matter what cataclysms shook the city (let us recall the provocatively

magnificent funeral of K. Budnitskiy, millionaire and chief of the oblast trade administration, which was trumpeted in the press at one point), there had always been quiet social "backwaters," of no interest to anyone, such as the old building at 98-100 Pushkin Street, where generation after generation of people who worked and lived modestly were bred.

However, their hour had struck. In Moscow, they were still sharpening their swords to do battle in the Supreme Soviet over the law on general foundations of entrepreneurship, whereas on the banks of the quiet Don these very "foundations" were being vehemently implemented, and in their own, inimitable manner.

However, the case of Pivnenko and his company stands out even against this background. Unlike Budnitskiy (they say that Mother Valeriya labored under his direction) who took years to accumulate his millions by controlling oblast trade, this young man with great promise, but not burdened with a state job, has proven brilliantly that in our times you can become a millionaire and a landlord if you want to.

A solid company name, preferably with historic charm, is the first thing needed. Before the revolution, Asmolov was a well-known tobacco producer in Rostov. They borrowed the sign "Asmolov and Co." from him, caring nothing for the circumstance that the respectable merchant would have hardly been happy to be in such company.

What else? A good "front" is needed, preferably with some ideological coloring. They opted for the All-Union Association of the Councils of Reserve Servicemen, Internationalist Servicemen, and Defense-Patriotic Associations. To induce the association chairman, O. Zapertov, to accept the offer, they went as far as to write that, supposedly, "the development of military-patriotic movements, providing assistance to servicemen-internationalists in job placement, and other charitable activities are among the main types of operations of the company." The scope of charitable activities is truly boundless: "The company manufactures, sells, buys, transfers from one balance sheet to another, exports, imports, tunes up, commissions, and repairs in all sectors of the economy..."

Not only Zapertov, but even the immortal creator of the "Hoofs and Horns" Office would have signed a paper like this with both hands!

How is it surprising that under the influence of this document the Rostov Aviation Detachment eagerly handed over to the "patriots" as their property not only the house with 100 inhabitants, but also two million rubles [R] to repair the house which then deputy, and currently Minister of Aviation B. Panyukov "forked over" without batting an eye.

The house, whose walls remember the real Asmolov riding by in a cab, was returned to capitalism by a stroke of the pen of local authorities. Pivnenko offered those

tenants who agreed with this all the benefits of the "world of hard cash," including imported toilet bowls, and bid good riddance to those who were against this. However, there will be no way back for them. To prove this, the "neo-Asmolovs" knocked out the door in the room of a tenant who went to Siberia for contract work, and installed their shareholder Aleksandr Gryazev there.

When the flabbergasted tenants began to recover little by little, they regained their ability to reason. Therefore, the balance-sheet cost of their dwelling is somewhere under R300,000. Of course, this is a conventional number: actually, it is much more. However, even so, something inconceivable turned up: everyone, including breast-fed babies and decrepit old people, will have to shell out R3,000 a year as rent to their new owners. Scraping up this kind of money is out of the question. Besides, it is a somehow preposterous situation: strangers came in, and for some reason because of them you have to leave your native dwelling which has given shelter to many generations of your loved ones. This is some kind of delirium smacking of the vestiges of the revolutionary past. But at that time the poor threw the rich out into the cold. Are we now dealing with historical retribution?

Eleonora Iskanderovna Dulatova, an experienced employee of communal facilities management, extinguished the panic which had begun to set in: "Don't you be afraid. We are the impoverished citizens of an impoverished country, and the law is on our side. Besides, what kind of merchants are they? I am telling you—they are swindlers!"

At this point, the tenants took heart and decided to fight for the socialist form of property until the victorious end.

Meanwhile, winter was upon them, but "neo-Asmolov" was in no hurry not only to install imported toilet bowls but he was also in no hurry to prepare the house for the cold season in a regular manner. What obstacles arose in the path of latter-day owners? Who hindered them?

It turned out that nobody had. Quite the contrary, they were promoting in every way the impetuous operations of Asmolov and Co. who had fearlessly put to use the R2 million received from civil aviation for housing repairs. They acquired dried fruits and honey worth tens and hundreds of thousands of rubles (at the warehouse of the Rosglavtekhkooppushsyre, whose director was subsequently arrested), and shipped them for sale to the Northerners. They ordered music recordings in Leningrad. They purchased a Kashpirovskiy film. They sent R150,000 to some cooperative in Novorossiysk, they paid Rostov and some other cooperatives and companies for something (anything but repairs!). There were business trips, wages paid, and overhead, and as a result, as early as December of last year R444,585.11 remained out of R2 million in capital.

The tenants got wind of all this, and reported it by telegram to a session of the city soviet, ending the message with these words: "Thank you very much for an

experiment involving the privatization of our dwellings. Esteemed deputies, our destiny is in your hands. Please make a fair decision."

When a row concerning the house on Pushkin Street began to flair up, the "neo-Asmolov people" changed directors just in case, and R. Yefimov, a former employee of the North Caucasus Transportation Procuracy, took over from Pivnenko. As recently as last August this menacing office maintained that "**in the course of a review, evidence indicating the illegal nature of signing a contract**" between the aviators of Rostov and the ill-starred executors of Asmolov "**has not been found.**" Only under pressure from Deputy T. Panova, who demanded a serious investigation of the affair (the telegram ended up with her), did the procuracy collect materials which prompted its unequivocal conclusion: "**This is a sham transaction consummated only for the sake of appearances, without the intention of engendering legal consequences on the part of the company Asmolov and Co., and aimed only at receiving R2 million. In view of this, the transfer of the residential building at 98-100 Pushkin Street itself from the balance sheet of the Rostov United Aviation Detachment to that of the joint stock company Asmolov and Co. was effected illegally.**"

However, Yefimov, former employee of the procuracy and new director of the company, could not care less about this. He once again spread panic at a meeting of the residents of the unfortunate house, maintaining that both arbitration and the procuracy had made this decision in error and unlawfully. How else? After all, he remembers well that in the fall of last year deputy oblast procurator A. Kharkovskiy, at the request of S. Yurkovetskiy, deputy of the City Soviet and chairman of the commission for socialist law, responded to an inquiry from V. Anpilov, chairman of the city executive committee, by saying that the aviators and the company had done everything under the law and pursuant to some "normative acts."

To be sure, even if the transaction had been lawful, how could it have been finalized without the participation of the third party, the residents, on an equal footing? It is doubtful; however, at present our merchants involuntarily emulate on many points state officials with their iron-clad conviction that the people exist for them rather than the other way around.

I remember how many complaints were made prior to an increase in airfares. Ranking chiefs of Aeroflot deflected them: we absolutely have to raise fares, or else we will go under. What else can they do but go under if they squander millions left and right, as in this episode with the privatization of housing! I cannot fathom how Boris Yevgenyevich Panyukov is going to recover the state money which he so improvidently invested in the company Asmolov and Co.?"

**Open Market Housing Plan in Moscow Described**

914D0198B Moscow ARGUMENTY I FAKTY  
in Russian No 19, May 91 p 4

[Interview with L. Ivanov, chairman of the Housing Subcommission of the Moscow Soviet, by G. Valyuzhenich: "The Housing Exchange"]

**[Text] A housing exchange will open in Moscow soon. From what pool will apartments be provided on the free market? How will this be done? We asked L. Ivanov, chairman of the Housing Subcommission of the Moscow Soviet, to respond to these questions.**

[Ivanov] Individual citizens, enterprises, organizations, and cooperatives, as well as the Moscow Gorispolkom [City Executive Committee], may offer housing at the housing exchange of the Moscow Soviet. The Moscow Gorispolkom envisages offering 30,000 square meters for unrestricted sales in 1991.

[Valyuzhenich] Is this to say that as a result those on waiting lists for housing will fail to receive 30,000 square meters of housing?

[Ivanov] Yes. However, this has to do with the fact that the executive committee does not have funds to build housing. Funds must first be generated in order to later be used for housing for those on the waiting lists. This is why the housing market should be introduced gradually. In two to three years, we should ensure that between 20 and 30 percent of housing is provided to the poorest strata of the population free of charge, between 40 and 50 percent is bought by enterprises and organizations for their employees, and 30 percent is allocated to the free market.

[Valyuzhenich] Will an individual be able to buy an apartment in the housing market if he has no residence permit for Moscow?

[Ivanov] We think that for now residence permits are required, despite the fact that the constitutional oversight committee has come out against them in the belief that this provision restricts owners' rights. Believe me, given the most complex situation in the country, it is hard to imagine the confusion which may set in if residence permits are abolished in Moscow.

[Valyuzhenich] Are many apartments being vacated in conjunction with the migration of people to other countries for permanent residence?

[Ivanov] This primarily depends on what apartments those leaving had—state, their own, or cooperative.

In the case of state apartments, they are transferred to the pool of the rayon soviets. However, as a rule, those emigrating try to either pay in full their cooperative apartment contribution, or buy a state apartment converting it to their property. Subsequently, they dispose of the apartments as they see fit.

[Valyuzhenich] That is, they sell them?

[Ivanov] They sell the apartments or rent them.

[Valyuzhenich] Does the restrictive right of residence permits apply to the sale of these apartments?

[Ivanov] Under the Law on Property in the USSR and the RSFSR [Russian Soviet Federated Socialist Republic], the owners of apartments have the right to sell them to anybody, regardless of residence permits. Moreover, some offer their apartments at housing exchanges in other countries.

[Valyuzhenich] Are these apartments valued there?

[Ivanov] Quite highly. For example, in October 1990, a three-room apartment in Moscow was offered at a housing exchange in Vienna for 500,000 Austrian schillings. Apartments in Moscow turn up in the housing exchanges of Munich, Paris, and other cities.

[Valyuzhenich] As far as I know, the opportunity to buy out state apartments in Moscow has now been suspended. Why has this decision been made?

[Ivanov] This has to do with the fact that the apartments were evaluated and sold at residual value, pursuant to the 1988 Council of Ministers resolution on the sale of state apartments as the property of citizens. To be sure, last year the Moscow Gorispolkom introduced surcharge coefficients based on the category of housing and location, and prices for housing went up somewhat. However, for example, in November last year this price amounted on the average to 6,000 rubles [R].

In 1990, 2,705 apartments with a total floor space of 138,000 square meters were bought in Moscow in the houses of the state and public housing stock in Moscow. The sale of apartments generated R17.9 million, i.e., the price of one square meter was R130 on the average.

Fifty percent of the apartments bought were immediately resold at market prices. If someone bought an apartment for, say, R6,000 he resold it at R60,000. This is why the Moscow Gorispolkom discontinued the sale of apartments in Moscow until the Law on the Privatization of Housing, which contains strict criteria for the sale of the latter, is adopted.

\* \* \*

The rent for a three-room apartment in downtown Moscow, on the hard-currency housing market, ranges from \$6,000 to \$8,500 a year, and in the outlying rayons—between \$3,000 and \$5,000.

A one-room apartment in the downtown is now sold for between \$17,000 and \$18,000, in prestigious non-downtown areas (Krylatskoye, the Olympic Village)—approximately \$12,000, and in other rayons for between \$8,000 and \$12,000. There are but a few transactions involving the sale of three and four-room apartments; however, the price for them does not drop below \$40,000.

## PERSONAL INCOME, SAVINGS

### Current Minimum Living Standard Calculated at 250 Rubles per Month

914D02034 Moscow PRAVITELSTVENNYY VESTNIK in Russian No 16, Apr 91 p 5

[Article by Yu. Rytov: "A Good Beginning Makes a Good Ending...; Price Reform in the Context of Perestroika"]

[Text] "Better Late than Never..." That was the title and the words with which it ended of an article published in the issue before last of our newspaper. The topic was the price reform as the most important element of the perestroika of the entire mechanism of economic management and of the conversion to market relationships. A reform which we have been intolerably late in implementing, having obstructed the operation of all the remaining elements of a market economy.

And now at last we have brought ourselves to this extremely unpopular measure. (In this instance the "we" are the government, the parliament and society as a whole.) And right away disappointment, despondency and gloomy statements in the press. Prices have risen, they say, but there are no goods!

The reaction is natural and proper. Its basis was the rumors about allegedly countless stocks of goods which have been accumulated at wholesale bases and in the back rooms of stores. About the riches which "someone" has intentionally held on to until the increase in prices. But there was not, nor can there be, any riches! How many times already have statistics reported about the steady reduction of commodity stocks, which has long since exceeded all permissible norms. Alas, people prefer to believe not the official data but rumors, rumors, rumors...

A misunderstanding by many people of its true essence also is a basis for the negative reaction to the price reform. Many of our fellow citizens reduce the pricing reforms only to a one-time increase in retail prices. This is far from being the case. And here one should bear in mind at least three extremely important facts.

First. The present price reform is complex in character. It has led to a change not only in retail but also in wholesale and state purchase prices and, in the final analysis, even to a change in the dollar/ruble ratio. The wholesale prices for many types of goods have approached world prices. They have not come up to world prices—one can't do this in a single stroke. Nevertheless it has become advantageous for the majority of producers to operate; their work now shows a profit and not losses.

The second fact. The present reform does not at all reduce just to a one-time increase in prices. A considerable portion of them are free from now on: contract in industry and regulated and free in retail trade (their

relative share already comes to 45 percent). And this means that market relationships in our economy have secured a firm foundation which will be gradually strengthened.

Finally, the third fact. The price reform, which has only just taken place, cannot by any means be considered ideally executed and finally completed. No, this is but only the first stage, after which even more radical and decisive steps must follow.

Primarily, this has to do with the social protection of the population. Of course, the people are far from being delighted about the rise in retail prices! And—we will be frank—the system of compensations that has been adopted cannot cover those losses which all strata of the population, including the needy, feel in their pocket-book. However, as the saying goes, a good beginning makes a good ending... One still has to engage the levers which reduce these losses to a minimum.

Let's recall one of the main sections of the "Basic Directions of the Stabilization of the National Economy and of the Transition to a Market Economy." It is entitled: "The Minimum Consumer Budget and the Mechanism for the Social Protection of the Population from Inflation." The indicator of the minimum consumer budget, it is noted here, will be actively utilized as an important tool in the conducting of the new social policy. Families in which the average per-capita income falls below the poverty line will become the object of top-priority assistance on the part of local and state authorities.

What exactly is this—the minimum consumer budget? Or—how much does the "consumer basket" corresponding to it, which includes the bundle of various goods, services and other things that a person needs to live, weigh? And why hasn't the "consumer basket" made its appearance even now, at the same time that the first stage of the price reform is being implemented?

It seems that no one can remain indifferent to these questions. For a long time, unlike other countries, we did not calculate a "consumer basket" at all. The state itself looked after the people—it relied on thinking that it took enough care. And only a year ago was there published an official indicator of the minimum consumer budget—78 rubles per month per capita. Not enough? And several months ago this indicator was refined—R93.

As if there was nowhere higher to go. You see, the minimum wage rate is only R70 altogether.

However, the official calculations have provoked sharp criticism from independent experts. One of the central newspapers even conducted its own investigation of the capacity and cost of the "consumer basket." The procedure used here is remarkably simple and is available to every person. The basis was the data of the Nutrition Institute of the USSR Academy of Medical Sciences on the set of products that people need to maintain their health (without luxuries). This set looks as follows:

Meat and meat products, 54 kilograms per capita per year.

Milk and dairy products—correspondingly 334.

Eggs—236.

Fish and fish products—18 kilograms.

Sugar—25.

Vegetable oil and margarine—10.

Potatoes—89.

Vegetables and melon crops—110.

Fruits and berries—65.

Cereal products (including groats)—97.

And then, dear readers, everything is simple. Take a pen and calculate for yourself how much one needs to eat and how much one has to pay. That's what the correspondents of that central newspaper did (in order not to omit anything it was KOMSOMOLSKAYA PRAVDA and the material was published on 7 March).

A condition was laid down for the investigators, that is, the newspaper correspondents: not simply to calculate but to buy! At realistically available opportunities. But primarily in state stores—in spite of lines and waiting for the store to open. The correspondents could buy in a co-op or on the market only those products which were absent from the counters!

It turned out that in Lvov the "consumer basket" came to R201 k20. In Donetsk—R142. In Sverdlovsk—R261 k20. In Ufa—R106 k41.

But this is still not all. You don't reach the food shop barefoot! People also need some clothes. The conclusion: the poverty line in our country now comes to R250.

Let's make allowances for Komsomol enthusiasm and return to the official data of the USSR State Committee for Statistics. The actual consumption of meat and meat products in terms of meat (including fat and by-products in kind) amounted last year to 67 kilograms, milk and dairy products—360 kilograms, eggs—268, fish and fish products—17.2 kilograms, sugar—44 kilograms (USA—28, Great Britain—32, France—36, Japan—22), potatoes—98, vegetables and melon crops—95, fruits and berries (without processing into wine)—41 kilograms (USA and Great Britain—94 each, France—87, Japan—54).

Thus (theoretically) there are enough foodstuffs although its very, very far from being an abundance. But there is their cost. The readers can judge about this on the basis of the table given below which is based on a statistical survey conducted in the families of Moscow workers and employees (the cost of purchase per kilogram):

	1988	1989	1990
Cereal products	0.59	0.60	0.60
Potatoes	0.19	0.22	0.33
Vegetables	0.63	0.69	1.03
Fruits	1.50	1.62	2.00
Meat products	2.51	2.59	2.69
Milk	0.28	0.28	0.28
Eggs (per item)	0.10	0.10	0.11
Sugar, incl. in confectioneries	2.42	2.47	2.58
Vegetable oil and margarine	1.79	1.80	1.81

Based on the results of the same survey, the average per capita consumption of foodstuffs in Moscow amounted to (in kilograms per month):

	1975	1985	1988	1989	1990
Cereal products	7.5	6.3	6.2	5.9	5.8
Potatoes	8.9	6.9	6.75	6.4	5.9
Fruits and berries	4.6	4.8	4.8	4.6	3.6
Meat products	9.25	8.7	8.8	9.0	8.9
Milk and dairy products	36	32	31	31	31
Butter	0.7	0.7	0.65	0.6	0.6
Eggs (items)	23	20	20	19	19

In order for the reader himself to draw conclusions from the data given above, we will cite one more table—the average

per-capita incomes and expenditures in the families of the workers and employees of Moscow industry:

	1985	1988	1989	1990
Income	161	170	193	215
Expenditure	153	170	184	206
including for food	58	62	65	70

Of course, all these are sample surveys and, perhaps, not complete enough. However, in any case it is obvious that calculation of the "consumer basket" is a matter of the utmost urgency.

Later on the "consumer basket" will be adjusted taking into account the actual resources of the national economy.

Another natural question arises here: how will the further increase of monetary payments to the population influence the growth in prices?

The answer, naturally, is not very comforting: in the most direct proportion. The level of wages, unrestricted from now on by any upper limits, plus the indexing of incomes based on the "consumer basket," will lead to a new surge in the money supply.

In any case—even taking the miners' strike into account—one can assume the following evolution of events. Initially the output of goods being sold at free prices will markedly increase.

Of course, the question of questions is the fixed wholesale prices for raw materials and the state purchase prices for agricultural output. There will arise anew—and it has even now already arisen—the problem of the unbalanced nature of the commodity exchange between the branches of the national economy and between the city and the village. Evidently the next stage of the pricing reform will lie in putting such relationships in order.

Many, many specialists will have to rack their brains over this problem. Setting all prices free means causing not simply inflation and not hyperinflation but an inflationary process which no one will be able to control. On the other hand, it is also impossible to "maintain and not free" prices for fuel and agricultural products for long: who will work himself into a loss?

Problems, problems. "Problems"—probably the most widely used word nowadays. The ministers have problems; the housewives have problems. Nevertheless the problem of prices is the most important one. Only the first and not very distinct step has been made towards its resolution. However—a good beginning makes a good ending.

## FUELS

**Ministers on Stabilizing Oil, Gas, Coal Industries**

914E00874 Moscow PRAVITELSTVENNYY

VESTNIK in Russian No. 6, Feb 91 p 3

[Statements by USSR Minister of the Oil and Gas Industry L. Filimonov and USSR Minister of the Coal Industry M. Shechadov; "Coal, Oil, Gas: Stabilization Is Possible"]

[Text] On 28 and 29 January the USSR Cabinet of Ministers (on 28 January with the participation of the USSR President M.S. Gorbachev) debated measures to stabilize operations in and development of the base sectors of the national economy. Assignments were issued to prepare decisions that will ensure the stabilization of operations as quickly as possible in the country's oil and gas industry and the coal industry, and their dynamic development in subsequent years. This is what the leaders of these base sectors of the national economy told our correspondent after the government meeting.

**USSR Minister of the Oil and Gas Industry L. Filimonov**

We expected a great deal from this meeting of the Cabinet of Ministers and from the meeting with the country's president. Although we were aware that M. Gorbachev understands quite well the importance of the base sectors of industry, we were nevertheless very concerned and had repeatedly taken counsel with the "generals"—the general directors of the major associations engaged in recovery of oil and gas. To be honest, we did not want the measures we had devised on extricating the country's "hard currency shop" from crisis to be perceived as just another request for investment. We understand that everyone is now in need both of financial investments and material resources. One says "give it to me" while another asks "why not to me?" Surely lay problems are worse! All this is true, but the oil sector is a special matter. I emphasize that the president received us and listened to us not at all because the oil workers were threatening to shut off the valves. No, we were concerned about two key factors, namely how to keep the sector from collapse and how to improve the lives of working people. For there must be justice. In past times the oil workers provided hard currency for the country and now, when things are very difficult for the sector, I am convinced that the country is obliged to help it.

In contrast to the fading oil powers we have come unprepared to the so-called "post peak" period of oil cycles—when the level of reserves is determined by low productivity reserves. We do not have the technical facilities and materials that make it possible to organize profitable operations. There is no equipment nor management system for gas lift, thermal methods, high-pressure gas injection, deep saturation horizontal fracturing, horizontal drilling, and many other things. The equipment of mining and mining equipment and oil pipelines remain incomplete. The moment we have

for the production of chemicals to increase oil yield from formations, deal with corrosion, work bottom zones in wells [obrabotka prizabonykh zon skvazhin], and drilling and drilling-in

There are also shortages of traditional equipment and the usual material-technical resources. Because of this the number of temporarily shut-in wells has increased, and projects to set up oil deposits and capacities for oil recovery are not being brought on line. To say nothing of housing, kindergartens, schools, hospitals, and polyclinics; these have long been a sore point with us.

People are leaving. The economics of the sector are worsening. Oil prices do not cover costs, the world level even less. The result is well known: the sector is "living" on its subsidies. Lower oil prices are removing all economic meaning from any program aimed at introducing new oil recovery methods or saving oil; no one will save a cheap product.

Up to now in the USSR there has been no concept of saving oil. Surely it is astonishing that we expend more than 300 grams of a very valuable raw material per unit of the national product, while in the United States the figure is almost half that, and in Japan only 100 grams. The degree of crude oil refining is only 60 percent to 63 percent here, but in other countries in the West it is about 80 percent.

I could go on for a long time enumerating the problems. But when all is said and done, where oil is concerned it is a case of too many cooks. The Ministry of Geology is engaged in increasing reserves, the Ministry of the Petroleum and Gas Industry in development and recovery, the Ministry of the Chemical and Petroleum Refining Industry in refining, the State Committee for Petroleum Products in marketing petroleum products, the Ministry of Foreign Economic Relations in exporting oil and petroleum products, the State Committee for Material and Technical Supply in distribution, and finally the State Planning Committee in balance. Too many cooks do spoil the broth.

So what must be done to change the situation this year, primarily in the regions of West Siberia, our main oil and gas outpost? Energetic measures are needed to bring inactive oil wells back into production and for their urgent regeneration.

It is essential to increase development drilling up to 39-40 million meters, reaching the previous level, and ensure that additional new oil wells are brought on line. Finally, all construction-and-assembly and repair work must be fully completed—not to the detriment of the construction of housing, schools and hospitals—that goes without saying.

Questions relating to material-technical supply and funding for the oil industry, including hard currency support, are also acute. It is simply impossible to repeat what was the practice last year when there was a decision but no practical results. Finally, already today it

is necessary to conduct a review and reach a decision on the introduction in all sectors of the national economy of additional strict measures to save oil and petroleum products.

There are no new "Samotlors" and none are foreseen, and hopes of a "big find" are unrealistic. That is the first thing. The second is that the practice of compelling the machine builders toward scientific and technical progress in the oil industry with the help of the latest decrees does not work; what is needed is a new market economy mechanism. We are proposing a transfer to the market economy in three stages. During the first stage, reckoned for 1991, preparatory work will be done. Here it is necessary to have centrally funded work to build wells and do scientific work, a series of tax advantages, the write-off state credits provided during the 12th Five Year Plan, and the formation of a commercial bank for the sector.

The main content of the second stage (1991-1992) is denationalization. It is proposed that the state will continue to own only the very largest deposits while the rest—and also auxiliary and service facilities, will be converted to other forms of ownership, mainly joint-stock companies. During this stage we propose to initiate the introduction of a flexible pricing system that would focus people on "difficult" oil, the introduction of progressive technologies and resource saving. Here, what we have in mind is to move away from fixed prices for oil and gas and start direct export operations, bypassing the Ministry of Foreign Economic Relations.

The third stage (1993-1995) provides for fine tuning the economic mechanism and the establishment of a new economic system. The sector will switch to joint-stock form(s) of ownership with the organization of comprehensive production structures that will ensure production and marketing of the final product to the consumer—gasoline, oil, and diesel fuel. This is the essence of our proposals discussed by the USSR Cabinet of Ministers under the chairmanship of the president.

#### **USSR Minister of the Coal Industry M. Shechadov**

You could not call last year an easy one. Extraction of coal in the country was 0.937 million tons—37.2 million tons less than in 1989. Many of the coal associations and enterprises in the Donbass, Kuzbass, Karaganda and Primorye operated in an unstable way, and as a result thousands of consumers suffered. A particularly difficult situation took shape with supplies of coking coal for metallurgical plants. By the beginning of the year their reserves were down to almost half of normal.

So where was preventing the sector from meeting its obligations to the state? Evidently not everyone is aware that to any of warm weather conditions last year the USSR Ministry of Power and Electrification refused to accept 76 million tons of coal for energy purposes. The cost per ton hundred thousand tons of coal shrank that was the price paid for switching 180 mines to a work regime including one day off. The irregular

loading of coal on to more than 500,000 railroad freight cars had its effect, as did the sharp deterioration in material-technical supply, and we were let down particularly by plants of the USSR Ministry of Heavy Machine Building, USSR Ministry of Automotive and Agricultural Machine Building, and USSR Ministry of the Electrical Equipment Industry and Instrument Making. There was trouble with supplies of timber materials and rolled metal and we failed to receive 1.3 million cubic meters and 50,000 tons of those materials respectively. At the depths at which we are now recovering coal, the miner cannot take a step without securing a space for himself. It is not only categorically forbidden to work under such conditions, it is very dangerous. Those suppliers who failed to use the funds allocated to provide mining timbers and metal for the mines would do well to consider when they sell them "on the side" for a good price that they are directly or indirectly affecting yet another tragic indicator—one death for each one million tons of coal dug.

They say that only people who are desperate go on strike. At meetings and workers' gathering last year and the year before I have had to look tens of thousands of people in the eye whose demands for better working conditions and a better life were largely justified. However, I also saw and heard a great deal of demagoguery with the political side turned outward, a desire to destroy but not to create, and a desire to use the methods of oratory to deceive the miners.

USSR Council of Ministers Resolution No. 608, for which the miners fought so hard, helped to solve many acute questions and to marshal the order of priority for solving the urgent problems on which the ministry and the government are now working. But the cost of the strikes should be known to all: at many mines labor and technological discipline has deteriorated, the incidence of accidents and injuries has increased, and personnel turnover has risen. As a result more than six million tons of coal have been lost.

The effect of most of these factors is also being felt this year. The longer vacation time and the introduction of special pension benefits has required that the work force be increased by more than 100,000. From where are they to come? Will people come to the mines and strip mines if the average wage for coal miners is only R450? The following fact says a lot or maybe a little: in the countries of West Europe a miner's wage is more than double that of other highly paid workers.

Increasing coal extraction at the mines and sections is impossible without powerful new mining equipment. But only 15 percent of our equipment and 16 percent of the basic technological processes are at the world level. Many plants in coal industry machine building are on the verge of closure and financial bankruptcy because of the extremely unsatisfactory supplies of resources and assemblies. This is why it is so important that the government support our proposal to set up production of high-quality productive coal combines [prokhozheshkise]

kombayny] and mechanical mining props [mekhanizirovannyye krepi] at plants in the defense complex.

We are constantly engaged in large-scale and complex capital construction, and during the past five years we have increased investments 50 percent to develop the social sphere. Using the sector's own assets we have built 7.4 million square meters of housing, but last year alone construction workers in the Ukraine and Russia failed to provide the miners with about half a million square meters of housing.

This year we are also bringing new capacities on line to extract coal—at least 18 million tons, including 14.3 million at strip mines. The capacities of the enriching factories will be increased 6.1 million tons. But if we look at the big picture, these rates are clearly inadequate. The shortages in funds allocated to the Ministry of the Coal Industry are forcing us to hold back from organizing new mines and to mothball some construction sites.

Life has forced all ministers to be financial experts. In contrast to other sectors, the coal industry cannot take advantage of the fruits of cost accounting; it is not we but the state that sets the prices for coal. Now, our prime costs per ton are about R30, but the release price for coking coal in the world market is \$50 to \$55. If we could trade at that price, even in rubles, the sector would be living in luxury. But what would the rest do? For price of fuel is a basic element in prime cost in any industrial output. So, like most of the world's coal-extracting countries we have been and remain subsidized by the state.

The "war of the taxes" also continues. Some republics, krais, and oblasts are introducing into local budgets deductions for us not envisaged by Union legislation. Parameters for manpower are established arbitrarily, those with payments for motor transport, maintaining roads, and so forth.

Payments largely sought by consumers abroad. But the one-time deductions for the enterprise hard currency funds eliminate the cost of receipts and delivery, and 15 percent of hard currency obtained must be sold to the USSR Vneshtekonombank (Bank for Foreign Economic Activities) and another 36 percent to the I meriorepublic's hard currency fund and the local soviets. So what do we get left for ourselves? For if an association had a large amount of hard currency perhaps there would be no need to go to the purchases by the USSR State Planning Committee and the USSR State Committee for Material and Technical Supply.

It is significant that the hotheads calling for communalism in the ministries are beginning to lose interest. Perhaps there is a recognition that now can be found in the country who want to assume the entire responsibility for supplying the national economy, handling export deliveries, and supplying the population with coal. Among them who do I mention first of all the apparatus of the USSR Ministry of the Coal Industry and those general directors of the coal associations and enterprises in the

sector who took part in the meeting of the USSR Cabinet of Ministers and the shaping of its decision—to preserve the existing management structure in the country's coal industry.

## ELECTRIC POWER GENERATION

### INGURIGES Energy Production Capacity Increases

91E00911 Tbilisi SVOBODNAYA GRUZIYA  
in Russian 19 Apr 91 p 2

[Article by SVOBODNAYA GRUZIYA correspondent Mito Gokhonya: "The Water Level Is Rising"; for previous reporting on production problems at INGURIGES, see JPRS Report Soviet Union: Economic Affairs, JPRS-UEA-91-013, 18 Mar 91 p 79]

[Text] As we know, this winter, during a severe shortage of electric power in the republic, INGURIGES was forced to work in an unaccustomed manner, and due to the maximum expenditure of water, the level of the Dzhvarskoye Reservoir fell to its lower limit. As a result, only one of five units was working, and the production of electric power over four months declined to 2-3 million kilowatt-hours.

With the onset of the spring floods, the flow of water on the Inguri River has increased noticeably and as of 5 April had reached 100-120 cubic meters per second. Naturally, the production of electric power increased at all the plants of the Inguri cascade, and at the present time it has grown to 7-8 million kilowatt-hours.

"This has given the energy management of the republic a real chance to 'take a breath,'" says INGURIGES Chief Engineer Vakhtang Topurnya. "It's gratifying that the influx of water is growing daily. In the last decade alone the level of the Dzhvarskoye Reservoir rose by 11 meters. Based on many years' observation, peak situations are expected in the first half of July, when the influx of water can reach 500-600 cubic meters per second. Although, according to specialists, it is not impossible that this will happen earlier. INGURIGES associates greeted the start of the spring floods fully armed. In the first half of the current month preparatory work will be fully completed on putting the power equipment and hydroelectric installations in order. The Gruzenergoremont repairs shop, which is staffed exclusively by local personnel, is busy with this right now. The central repairs factory located in Mtskhetskiy Rayon is rendering them great assistance."

A detailed survey of the cascade's hydroelectric installations has already been completed, and operational observations are being made for the work procedures of the Dzhvarskaya Dam, the canalization tunnel, and other installations performed by scientists under the leadership of the Scientific Research Institute for the Operation and Testing of the Hydroelectric Installations of Georgia.

Today we can say that the cascade's collective is ready to carry out its basic tasks: augmenting the production of electric power, and creating a maximum reserve of water in the Dzhvarkskoye Reservoir during spring floods. In the middle of this May the level of the reservoir will rise to a mark that will permit full loading of all INGURIGES units, and then there will be a real possibility of generating 26-28 million kilowatt-hours of electric power daily.

### Joint Ventures to Help Tap Georgian Energy Resources

914E0091B Tbilisi SVOBODNAYA GAZETA  
in Russian 26 Apr 91 p 1

#### [SAKINFORM report: "Talks in the Government"]

[Text] The chairman of the government of the Republic of Georgia, Mr. Tengis Sigua, received a delegation of hydroelectric power specialists from Austria and Czechoslovakia that included the president of the Society of Electric Power Plants, the chairman of Austria's national committee on high dams, Wolfgang Pirkher, the director of the Kessler turbine production company, Verner Langauer, the director of the Institute of Hydroelectric Designers, Paul Oberleytner, and the head of the foreign department of the Prague Hydroelectric Planning Institute, Miloslav Yanda. They had come to Georgia's capital with a concrete task: introduce ecologically acceptable designs and technology into the construction of hydroelectric sites in Georgia, especially small and medium-sized GESs [hydroelectric power stations]. The guests are the organizers of the next world congress of the international commission on high dams which will take place in June of this year in Vienna.

In the course of the talks, the foreign specialists noted that Georgia is rich in hydroelectric resources and their rational utilization will help the republic avoid a possible energy crisis. All efforts must be made to "balance the energy system and seek out our own ways to resolve the problems of fuel energy." The two sides agreed to create a fully automated joint enterprise for the production of hydroelectric units. The two sides deemed the best form of business collaboration to be the creation of working groups attached to the Hydroelectric Design Institute and the Austrian Institute of Hydroelectric Designers. These groups will work out the basic directions for the further development of the republic's hydroelectric power. The idea was put forth that the first dozen and next twenty small electric power plants would be put into operation in the next few years. In all, plans were made to complete 300 projects for small GESs.

The document on mutual cooperation signed by the guests, the minister of hydroelectric power of the Republic of Georgia Zurab Mindor, and the director of the Tbilidroproekt Institute, Andro Chikava.

Participating in the talks were the directors of the republic's Academy of Sciences and industry and

departments that have expressed lively interest in this mutually beneficial cooperation.

Mr. Tengis Sigua expressed his gratitude to the guests for the responsiveness they have shown during this difficult period for our republic and for extending us a helping hand, which, unquestionably, will facilitate the development of energy in Georgia.

### Northern TETS Found Ecologically Sound

914E00894 Moscow NEZAVISIMAYA GAZETA  
in Russian 30 Apr 91 p 6

[Article by Arkadiy Mironov: "Did Northern TETS Come Clean Before the People? International Experts Make Their Pronouncement on the Subject"]

[Text] This is how Olli Laasanen, head of the IVO International company's group of experts, assesses his work.

"The USSR Chamber of Commerce and Industry selected the Finnish firm IVO International to evaluate the Northern TETS [heat and electric power station] project from the point of view of the station's effect on the environment. The expert analysis was commissioned by the municipal council of the city of Moscow. We have also involved in this assessment the independent Finnish institutes of forest research and meteorology, and the National Council on Water and the Environment. As far as I know, this is the first Soviet electric power station whose technical design has been analyzed by a foreign company.

"The Northern TETS is designed to have three power-generating boilers, 11 hot water boilers, and three steam generators to serve its own needs. The total energy-producing capacity of the station is projected at 750 megawatts and its heat-producing capacity is estimated at 30/30 large calorie/hr. It will be fueled by natural gas. The TETS will supply heat to residential areas in the northern part of Moscow. During last winter the temperature in residential houses of some districts dropped below the norm for that reason this construction has acquired an urgent character. However, the station will be located near a national park and a water reservoir and it has to be safe for the environment.

It was a complicated task. Not to overburden the reader with technical details, I will say that the expert evaluation materials cover 200 typewritten pages. All the experts have come to a satisfactory general conclusion about the project. IVO International has made detailed computations of water treatment processes and slag recovery systems. They are in compliance with the strictest requirements. However, we also gave recommendations on how to improve certain parameters of the station performance and make it even safer.

The Finnish institute for forest research decided that the emissions of acidic oxides at the Northern TETS will be of a minimal influence on forests and on the quality of

air in general. In fact, if the station is used to replace some small inefficient boiler houses with short smokestacks and if it makes possible the reconstruction of existing power stations, it will ameliorate the already rather polluted air in the northern areas of Moscow.

"It has been established that the water treatment system can function, in principle, as a closed circuit without any disposal of water at all. IVO International remarks, nevertheless, that water treatment should be given special attention as there is no previous experience of utilizing such a system."

"Among other things, we offered some suggestions in respect of using the land and preserving the scenery around the construction site. So, if the Northern TETS is built according to the latest designs of the Mosenergoproekt [Moscow Design Institute for the Design of Power-Producing Projects] and to our suggestions, it will be one of the cleanest power stations in the USSR."

"Considering that the design employs a lot of new technology and know-how, the construction and operation of the station should be treated with special attention. On that condition it will serve as a reliable and harmless source of heat and electricity for the people of Moscow."

#### **NEZAVISIMAYA GAZETA Commentary**

It is hard to hope that a period has been put at the end of the long argument about the Northern TETS. It is more likely that the 200-page report from international experts is just another comma. Because now we can expect an attack from the opponents of the construction.

The fighters have learned each other's habits rather well—a year has passed since their first confrontation at a Mossovet [Moscow City Soviet] session. In any case, the most active deputies, whose pre-election programs included a shutdown down of the power station, did not doubt the positive results of the evaluation. They are expected to try to discredit the experts, to try to prove their dependence on the Soviet power-producing system. However, this move is fraught with unpleasant consequences, as the civilized Finns may ignore the political symbolism of the Northern TETS and simply sue the offenders.

There can be no doubts however that all the fuss around the new heat and power station has a purely political meaning. It is unimaginable from the economy point of view to fight for clean environment by shutting down important systems helping to support our life. If we

follow that kind of logic, then we have to ban all automobiles in our capital instead of striving to lower the concentration of toxic elements in the exhaust fumes.

But still—why Finns? The intermediary of the deal—the Chamber of Commerce and Industry—gives two reasons for its choice. First, it is the similarity of climates. Second, unlike some other authorities in the field of energy—Austria, Germany, and Japan—Finland did not put in a bid for the supply of water treatment equipment for the Northern TETS and therefore it may be considered a neutral country. Besides, it has achieved a certain success in ecology.

The expert analysis done by international specialists is an expensive commodity. According to the protocol, the USSR Council of Ministers paid 50,000 hard currency rubles to the Finnish side, and the Moscow gorispolkom [city soviet executive committee] paid 10,000 "wooden" rubles to the intermediary. Considering that the results of many months of work by highly paid experts were probably known beforehand, one can start wondering about the advisability of such expenditures. Professional designers had no doubts that professional experts would not find any flagrant violations, and amateur critics had no doubts that the former two groups would find a common language. But one has to find consolation in the fact that there are some remarks in the report which Mosenergoproekt will have to eliminate if the construction continues.

Most probably, the next session of the Mossovet will again start a discussion about the future of the Northern TETS and this time it will be begun by the supporters of the project and not by its opponents. In spite of themselves, many of the deputies ran into the problems with heat supply in the houses where their constituents live. It took more than just a few cold days during this past warm winter. As they discovered, it was impossible to build new apartments without an additional source of energy. However, it is a bit more difficult now to go back to the positions of last spring; the TETS conservation project has been completed and work is already going on in that direction.

It is hard to forecast results of the debate which might be of great significance for the city: the layout of forces in the city parliament is far from clear yet. We only know that Mosgorispolkom Chairman Yu. Luzhkov feels more comfortable in economy than in politics and he is still deliberating over the Northern TETS project. Judging by some public comments made by G. Popov, he also thinks that last year's decision to suspend construction was too hasty.

**Protocol Between Ukraine, Miners**

914F0218A Kiev RADIANSKA UKRAYINA  
in Ukrainian 23 Apr 91 p 3

[“Mutually-accepted Protocol of the Parliamentary Commission of the Supreme Soviet of the Ukrainian SSR, the Government of the Republic and Representatives of the Council of Striking Miner Collectives,” issued in Kiev on April 17-18, 1991]

[Text] After discussion of the demands made to the Supreme Soviet and government of the Ukraine by striking coal enterprise collectives, the two sides have come to the following mutually-accepted decisions:

1. To let it be known that draft conceptions of the Constitution of the Ukrainian SSR, elaborated in accord with the Declaration of Sovereignty of the Republic, were distributed to the people's deputies on April 17, 1991. These draft conceptions will be examined in May, 1991, during the third session of the Supreme Soviet of the Ukrainian SSR. The miners ask the Supreme Soviet of the Ukrainian SSR to pass the Constitution of the Ukrainian SSR in 1991, before the signing of the Union treaty.

2. In order to make possible the payment of the debts which have accumulated, the Supreme Soviet of the Ukrainian SSR and the government guarantee that striking collectives will be granted favorable credit terms by the banks of the republic (three percent). This financial support, which the banks will provide to the account of enterprises and conglomerates, will enable the enterprises to carry out reconstruction work and return to a normal working rhythm for the extraction of coal.

The directors of enterprises will, within 48 hours, carry out inspections of all places of work and, for all places that require renovation, obtain the necessary permits and set out the job specifications and the timetables for completing the work.

The workers employed at reconstruction work will be paid according to the job specifications, but not less than the average wages paid in January-February of this year for excavation work which met the established norms.

In view of the critical situation prevailing both at the striking pits and in the economy as a whole, the Supreme Soviet of the Ukrainian SSR asks the collectives of non-striking pits to give material aid to the collectives which went out on strike, once they call off their strike and asks all conglomerates and enterprises which have suffered losses because of the strike in March-April 1991, to withdraw the punitive measures which they have applied against the pits that went out on strike and to refrain from applying any such measures for March-April.

Guided both by valid legislation and principles of humanity, the Supreme Soviet of the Ukrainian SSR and the government of the republic recommend that the

directors of striking enterprises provide material assistance to the families of miners who went out on strike.

3. The State Coal Industry authority of the Ukrainian SSR will begin discussions in the second quarter of this year for the preparation and acceptance of a general collective agreement with regard to the coal industry and pit construction for 1992, to be made between the State Coal Industry authority of the Ukrainian SSR and the unions, in accordance with the USSR Law “On Unions Their Rights and Guarantees of Their Activity.”

4. To make known the decision of the third session of the Supreme Soviet of the Ukrainian SSR of 16 April, 1991, regarding the establishment of a joint commission of the Supreme Soviet and the government of the Ukrainian SSR, which is to bring forward, for examination by the session of the Supreme Soviet of the Ukrainian SSR, proposals for raising of the real standard of living of the population, in particular, of the least-protected elements of society, in the face of the increases in prices.

It is recommended that this commission put forward its proposals for examination by the session of the Supreme Soviet of the Ukrainian SSR in April of this year.

5. The Supreme Soviet and government of the Ukrainian SSR guarantee that the participants of the March-April 1991, strike will not have applied against them criminal or administrative punitive measures, or disciplinary or material liability, as provided for by the law on non-appearance at work.

6. Article 15 of the USSR Law “On Pension Protection of the Citizens of the USSR” provides for workers of leading professions (miners engaged in clean-up operations, coal puncher operators, drivers of excavation equipment) to retire on pension, regardless of age, if they have been employed at their jobs for a minimum of 20 years. This article provides that workers who are directly engaged for the full working day in underground and above-ground mining jobs (including the personnel of mine rescue units), involving the extraction of coal, shale, ores and other usable minerals, and construction of pits and mines, have the right, according to the list of jobs and professions confirmed by the Council of Ministers of the USSR, to a pension, regardless of age, if they have been employed at these jobs for not less than 15 years.

The list of professions and jobs which give the right to a pension, regardless of age, to persons who have been employed in their jobs for not less than 15 years, is established by the resolutions of the Council of Ministers of the USSR No. 1356, of December 29, 1990, No. 11, of January 19, 1991, and No. 88, of March 11, 1991, as well as resolution No. 136, of January 3, 1991, of the Cabinet of Ministers of the USSR.

\* The 1991 plans provides for the financing of all enterprises of the State Coal Industry authority of the Ukrainian SSR.

In the case of shutting down of enterprises, the social protection of workers and their families is guaranteed by the applicable laws of the USSR and the Ukrainian SSR. No closings of coal extraction enterprises are foreseen for [1991].

8. The government of the Ukrainian SSR does not absolve itself of responsibility for the implementation of the protocol of the discussions of January 26, 1991, between the Council of Ministers of the Ukrainian SSR and the regional Union of Donbass strike committees and the workers' committees of the cities of Chernovograd, Alexandria and Novovolynsk.

At the initiative of the enterprises of the State Coal Industry authority of the Ukrainian SSR, regional work groups may be established (at the conglomerate, at the city, oblast, or republic level) in accordance with valid legislation.

Examination of the demands of striking enterprises which have not entered into this protocol will be delegated to a work group established in accordance with the protocol of discussions held between the Council of Ministers of the Ukrainian SSR and representatives of the republic's miners' collectives on March 20-21, 1991.

9. The miners will be given the possibility, within a period of time accepted by them, to conduct a televised roundtable discussion with the participation of representatives of the Supreme Soviet of the Ukrainian SSR and the government.

After passage by the session of the Supreme Soviet of the Ukrainian SSR of the points of the common protocol of the commission of the Supreme Soviet of the Ukrainian SSR, the government and representatives of striking collectives, all striking enterprises will resume work within two days.

These decisions are valid only for enterprises which have resumed work.

[Signed] From the Parliament MP Bilebetska, T.I.  
Yevashchuk, T.I. Lasyuk, Yu.L. Zvirahlskyi, Yu.Ya. Yette,  
I.Ye. Valenya

From the Government I.D. Hladush

From the Miners II. Volkov, I.M. Miasnikov, O.I.  
Kalinin, Yu.R. Hayalko, P.I. Mesunov, S.M.  
Huzar, others

## CIVIL AVIATION

### Borispol Airport Prepares for Tu-204

914101651 Moscow VOZDUSHNYY TRANSPORT  
*in Russian No 21, May 91 p 10*

[Remarks by Ye. Provorov, deputy chief of the [Ukrainian Civil Aviation] Administration; V. Nazarenko, commander of the Borispol Aviation Enterprise; V. Shvets, deputy commander of the enterprise for the organization of flying work; L. Sivkov, chief engineer of the ATB [aircraft maintenance base]; and B. Shakhsavarov, chief of the Borispol Airport, reported by VOZDUSHNYY TRANSPORT correspondent V. Tishchenko: "The Tu-204: Hopes and Problems"]

[Text] **Borispol is to become the base airport to receive the fourth-generation Tu-204 aircraft. Our correspondent V. Tishchenko has asked the managers of various services and the airport to tell us how they are preparing to receive the new aircraft here.**

#### The VNPP [Temporary Scientific Production Subunit] Is Starting Up

[Provorov] The fourth-generation airliner has absorbed concentrations of scientific and technical ideas. For this reason, it has become simple and comfortable for the crews but unfortunately, quite complicated for those who maintain them, because of the very serious problems which have arisen. On the one hand, the numerous built-in control systems make it possible to quickly diagnose, predict, and identify different malfunctions. On the other hand, the complexity of these systems and the need to be familiar with them at transit airports along the routes taken by the Tu-204 require non-standard scientific and technical solutions. Let us also take into account the aircraft's high cost—roughly 40 million rubles [R]—and all the factors taken together dictate a strict rule for recovering the cost: the aircraft must fly more and remain on the ground for a minimum length of time.

These preconditions have also led to the need to cope with an entire range of imminent problems and to find a lever to eliminate them. Thus, a coordinating organ—the Temporary Scientific Production Subunit, VNPP—was established; it has been called upon to set up a system for technical maintenance of the Tu-204 on a fundamentally new basis. Leading specialists of the Ukrainian Administration and the Borispol Aviation Enterprise, the KIIGA, the GosNIIEGA [Kiev Institute of Civil Aviation Engineers, State Civil Aviation Scientific Research Institute], the OKB [Experimental Design Bureau] imeni Tupolev, and other organizations both in and outside the sector have been enlisted in the subunit.

I think the VNPP's plans will become more apparent if I refer to this prospect: it is assumed that the Tu-204 will not be repaired throughout its entire service life.

Tempting, isn't it? But the steps to maintain the airframe, engines, and all systems in good working order will be taken while it is "in motion," at the same time as the operational processes.

We already have the outlines of the system and roughly 70 percent of the "building blocks" to establish the teams. These include a technical center for operations and repair with new functions, new engineering structures for the air maintenance bases, an engineering support program for training specialists, and other components. All the teams are to be equipped with computer hardware and an information management system based on personal computers.

The machinery will be put into operation when the Tu-204 arrives for trial operations. Practical work will make it possible to perfect the system and develop new elements. When the number needed has been determined, they will be sent to transit airports for use in maintaining the Tu-204, and the data bank stored in computers will also come to their assistance.

By the time the new aircraft begins operations, an exchange reserve should be ready. It is planned to locate it in Borispol and at airports where the Tu-204 will land. Its purpose is to ensure rapid replacement of an assembly or unit when it fails. The warehouses of the Ministry of the Aviation Industry will be involved in this as well.

The engineers and technicians at transit airports will have to concern themselves with analytical work as well as performance of tasks. The VNPP will provide them with assistance in this. An engineering center with the functions of following the aircraft's operation, analyzing failures and malfunctions, and transmitting information afterward to the peripheral points will be formed for this purpose.

In conclusion, I will say that there has been no organ like the VNPP in our country. The first reassuring test and the first step in very close cooperation between science and production in mastering the complex aircraft will unquestionably be an advantage when the aircraft of subsequent generations appear on the air routes.

#### A New Terminal Is Needed

[Nazarenko] The flight collective, as well as the engineering service, has followed the development of its VNPP. The staffs and positions in it responsible for specific aspects of the work have been consolidated. Some 20 accompanying scientific associates have already been designated for development of the Tu-204; they attest to the ties that are growing stronger between scientists and production workers. The selection of crews for the Tu-204 is not a source of concern, either; after all, the enterprise has familiarized itself with new aircraft time and again.

At the same time I will not try to conceal the very complicated problems which we cannot cope with without help from outside. Many people remember that

the initial cost of one Tu-204 was set at R 30 million. Another figure is being quoted now—40 to 42 million. Our annual profit, even without the various deductions, will not be enough to purchase one aircraft. As far as we know, the MGA [Ministry of Civil Aviation] does not intend to help us in purchasing the aircraft, even though it ordered them. So it should buy them as well; this is how it is done throughout the world. But whom can we rely on? On the leaders of the republic and the city of Kiev? I would very much like to have the high authorities put themselves "in others' shoes." After all, even if the Tu-204 comes to Borispol today, no profits will be poured out of it into the enterprise's pockets tomorrow.

Everyone knows that the Borispol Airport has been overworked for a long time. The throughput capacity of the [waiting] room for domestic routes is 700 persons per hour, but capacity for 1,000 is required. The situation in the "Inturist" [foreign tourist] sector, where these figures are 100 and 800, respectively, is even worse. And let us add to this the unbelievable annual increase in passenger departures, equivalent to 10 percent! Can we count on a new level of service along with the new Tu-204 if 35 to 40 minutes are spent on the ramp?

Yes, an arrival room is under construction, and about R 300,000 have already been spent. It will be turned over, of course, but it will alleviate the problem only for a short time. I see only one solution—construction of a new international terminal. Then the areas in the old terminal can be devoted entirely to domestic flights. But once again, this arrangement depends on financing and funds, and over R 30 million are needed.

#### **Who Will Sit in the Cockpit?**

[Shvets] No particular difficulties have been seen in selecting cockpit personnel for the Tu-204. The candidates are the most experienced specialists who have familiarized themselves with several types of aircraft and they all have a higher education. It was decided to put the crews together in a distinctive way: to entrust the left seat to current Tu-134 commanders and the right seat to Tu-134 commanders.

Several of our specialists—pilot A. Roban and V. Zaitsev, navigator B. Bondarenko, and flight engineer N. Karpenko—have already had theoretical training and test stand practice at the OKB imeni Tupolev. And the next crews will follow them. But consider this—the process of retraining will be relegated to the Ukrainian Training Center; this procedure has been proposed by the aircraft's chief designer. I have already met several times.

While there are no problems in finding cockpit personnel to fly the Tu-204, the same cannot be said about certain other aspects. Development of a cockpit and terrain with operating mockup of the aircraft's assemblies and systems is in progress. It is proposed that it be located in the Ukrainian Training Center, but was a better place—down? I think it would be more sensible to position it somewhere close to the

collective which will have to handle the complex aircraft itself each hour—in Borispol.

#### **The Parking Areas Have Been Assigned**

[Sivkov] At present, 103 specialists at the Borispol Enterprise Aircraft Maintenance Base have been retrained for the Tu-204 aircraft. This process is continuing.

It is understandably difficult to become familiar with a new aircraft at the same time that normal work is conducted—after all, the plans have not been taken away from us. Moreover, the collective is being remanned with young specialists, and they must work on the aircraft available at the airport as well as the aircraft that pass through in transit—the Il-86, Il-62, and other aircraft.

I believe the situation will change for the better when the Ukrainian Training Center becomes involved in training the engineers. Everyone knows the problems involved in out-of-town assignments today—housing, food, and leisure time. People are also affected by family problems and not everyone has been able to travel for retraining at the OKB and the plants.

As far as the internal arrangements are concerned, spaces have already been assigned for the future Tu-204 parking places. The requirements for them are very strict. For example, the metal plates in the concrete will have to be reinforced. Technical facilities will be prepared for maintenance of the new aircraft alone.

Our specialists have been to the OKB imeni Tupolev and the flight testing station time and again, and they have become familiar with maintenance of the aircraft. Speaking as a whole, there is no gap between the plans for training engineering and technical personnel and their actual implementation.

#### **In a Miserable Environment**

[Shahsuyarov] Looking at the Borispol apron today, and imagining a Tu-204 standing on it in the future, you see it in a miserable technical environment. There is practically no mechanization for working with the passengers, cargoes, and mail. I suppose it will be said, "But we recently acquired two self-propelled loaders for containers, and the ramps can be adapted as well." Is an example such as this correct? The new loader is faster, more convenient and economical, but this cannot be said of its dependability—one of the two is constantly being repaired. The ramps can be adjusted under the Tu-204's hatches, but they have served us for three or four service lives, and they are old. In a word, we do not see any up-to-date and reliable machinery on the horizon yet, and the sector's plants are not working at all.

Well, let us assume that it does appear, will it stand up to the planned parking time of 35 to 40 minutes, as they have calculated theoretically at the OKB? The experience refutes such optimism, and the problem is completed with the containers for the Tu-204 (MAY).

precisely, their "originality." The developers' desire to reduce the "dry" weight of the aircraft and thereby increase its load is understandable. However, the construction of a soft container with fabric side curtains will not meet the planned objective of reducing parking time on the apron. It is very likely that they will be loaded hastily, the contents of the containers and the containers themselves will be shifted, and they will be wedged in. We cannot agree with such a technical solution.

With regard to the arrival room that is being built, its cost will be two to 2.5 times higher than the original one; it is hoped that it will be put into use by the time the first Tu-204 flights begin. It is gratifying that the republic's Council of Ministers has allocated reserves of physical resources for this work.

### Opinions, Position on Air Traffic Controllers' Strike Viewed

914H01674 Moscow TRUD in Russian 18 May 91 p 1

[Reports from various sources on imminent air traffic controllers' strike, prepared by TRUD correspondents A. Komarov, V. Naumov, V. Pavlenko, and Yu. Ursov, stringers D. Yermakov and I. Laurinavichyus, and the SIBINFORM news agency: "Fly the Airplanes of Aeroflot...If the Controllers Do not Begin a Strike"]

[Text] Whether the strike of air traffic controllers planned for 21 May will take place is an open question. The following reports from various points in the country attest to the complex nature of the choice facing aviators.

#### Minsk

Most of the controllers in the republic's capital support the strike.

The Minsk controllers' demands are similar to those being made by controllers throughout the country: reduction of the age to qualify for a pension to 50, an increase in annual leave to no less than up to 48 days, and shortening of the work week to 36 hours.

#### Barnaul

An order has been signed by the commander of the aviation enterprise providing additional pay of up to eight percent of their salary for unhealthy working conditions to those controllers who are directly engaged in the control of air traffic. Their leave has been increased by six working days as of 1 June, and it is planned to double their salaries beginning in 1992. The question of changing to a 36-hour work week has been partially resolved, and agreement has been reached to increase the number of controllers in several months.

#### Vladivostok

The Vladivostok Airport's collective of air traffic controllers has made the decision to support the strike of their colleagues planned for 21 May. The controllers are threatening to discontinue service for all aircraft in

Soviet airspace except ambulance and search and rescue flights, as well as flights to cope with the effects of natural disasters.

#### Irkutsk

About 400 persons are controlling air traffic in Irkutsk and Chita Oblasts and the Buryat ASSR. According to G. Kovarskiy, president of the East Siberian Association of the Air Traffic Controllers' Trade Union, all of them are prepared to begin a strike in support of their demands at 0001 on 21 May.

Cockpit personnel have expressed solidarity with the East Siberian controllers.

#### The Trade Union's Position

"A working meeting has been held between leaders of the new Air Traffic Controllers Trade Union Federation and representatives of the Ministry of Civil Aviation and employees of the USSR Cabinet of Ministers, and the leaders of our Federation of Aviation Workers also took part in it," said its chairman, A. Gridin. "There was a little progress: they mentioned the possibility of increasing leave for some aviation workers up to 28 days, but after approval by the Cabinet of Ministers. It is more difficult to reach agreement on the question of raising wages. Formally, this is the prerogative of the enterprises (just as the duration of work shifts and the work week is). The fact is that wages cannot be increased until the question of allocating additional fuel has been resolved."

Our federation fully supports the controllers' social and economic demands. We raised them long ago and we intend to bring about their implementation.

#### Two Opinions in Moscow

A. Povaliy, chief of the Vnukovo Air Traffic Control Center, states:

"I support all my colleagues' demands. But I believe that a strike is at least premature. The procedure has not been thought out, and there is no clear-cut program. Even the conditions are being advanced without differentiating controllers by the intensity of their work. Can we really compare a controller at a small airport who handles one or two aircraft per day and goes home in the evening with a person who works most intensively at an air transportation hub? For example, our controllers here handle over 1,000 aircraft per day, 30 percent of them foreign aircraft. And this is along with heavy military air traffic."

The strike leaders, V. Konosenko and S. Yevsyukov, are counting mainly on the controllers in peripheral areas. Far from everyone in our collective is giving unequivocal support to the decision to strike.

V. Denisov, chief of the Domodedovo Airport Air Traffic Control Service and vice-president of the Executive Committee of the Air Traffic Controllers' Trade Union Federation, states:

"Our conditions were laid down a year ago. But once again the USSR Supreme Soviet session is ending for the holidays, and our problem has not even been put on the agenda. We sent our conditions to the Russian Parliament, but there has been no response there, either. In the meantime, the air traffic controllers' social and economic problems have been resolved at the republic level in Uzbekistan, and they have refused to strike there."

But can we count on anything? After all, aside from their desire not to have anything to do with our problems, and to intimidate us as well, we are seeing nothing from the central authorities.

#### The Government's Position

**V. Shcherbakov, deputy prime minister of the USSR,** stated at a press conference on 16 May:

"The USSR Cabinet of Ministers will not be swayed by the proponents of extreme measures. The air traffic controllers' strike, if it takes place, will be considered illegal, since aviation has been classified by legislation with those sectors of the economy where there is a special procedure for settling labor disputes, and strikes are prohibited."

He also added that the strike organizers will be subjected to the strict penalties provided by law. V. Shcherbakov asked the reporters to inform the controllers and pilots of this.

(See page 3 for material on the history of the air traffic controllers' strike in the United States.)

### MOTOR VEHICLES, HIGHWAYS

#### Yelabuga Motor Vehicle Plant Problems Highlighted

##### Construction Halted

914101641 Moscow AUTO in Russian No 17.  
30 Apr-6 May 91 p 1

[Article by Ye. Kamenkov: "The YelAZ [Yelabuga Motor Vehicle Plant]: 'We Have Buried Billions in the Ground'"]

[Text] According to competent sources close to the management of the "YelAZ" Production Association, construction of the giant complex to turn out passenger cars in the city of Yelabuga may be "frozen" in the near future.

The discontinuation of construction operations is related to the uncertainty which has developed in negotiations with the Italian Fiat concern. This concerns the signing of a contract under which it was proposed to begin production of the Fiat "Panda" at the YelAZ in 1993. The concern's representative in Moscow, M. Ferraro, stated categorically that he is "not authorized to make any comments in this connection."

The process of dismissing highly skilled specialists from the YelAZ which has begun is indirect confirmation that construction has been stopped. According to preliminary information, 30 to 50 percent of the 12,000 people selected earlier have had to be discharged. Most of them were ordered beforehand to transfer temporarily to work in construction specialties in the system of the general contractor "Kamgesenergostroy."

Information received that a "sale" of plant buildings has allegedly begun appears to be highly improbable. The actual volume of construction work that has been carried out is small. Only the machine tool building has been completed; electricity, heat, and water have been connected to it and equipment valued at 200 million rubles [R] has been purchased and installed. The assembly and engine plants have been put "under a roof" and half of the iron foundry has been built. The remaining structures are identified only by the concrete piles driven into the ground. Moreover, when the buildings were erected their estimated cost was exceeded by 1.5 to two times as much, which makes the transaction for a potential purchaser unprofitable beforehand.

The question of changing the specialization of the Yelabuga Motor Vehicle Plant to produce minitractors is also in the stage of preliminary study. The model of the Italian Goldoni firm is being considered as one of the alternatives. However, in the experts' opinion, the principal difficulty is not in organizing production of the tractors, but equipping them with mounted implements. While the country already has accumulated some experience in the production of motorized units (Kutaisi) or minitractors (Minsk), the main mounted implements for this type of equipment are still in the development and testing stage. For this reason, changing the YelAZ specialization in this way is not advisable at present.

The fate of the YelAZ is determined to a large extent by the possibility that the project will continue to be financed from the state budget. As an example, only 300 million of the R1.2 billion in credit allocated by the government of N. Ryzhkov has been received. Continued allocations are in question. In the figurative words of one experienced person, we have "buried a billion rubles in the ground, and now it seems we will be waiting for them to sprout..."

It looks as if the outcome of the story about automotive industry managers wanting to provide almost every Soviet family with an inexpensive personal car that is convenient to operate is drawing near. It was proposed at first that the widely advertised VAZ-111 "Oka" be turned out at the YelAZ, with production of only 20,000 to 50,000 per year planned initially. An increase in the production program would require a radical change in all the technological operations and the purchase of special automatic lines abroad with foreign exchange. Naturally, mass production of the "Oka" soon had to be abandoned. The second attempt was the preparation to draw up a contract with the Fiat concern. Two versions of the

base model were considered--the prospective Fiat "Uno" and the Fiat "Panda," which has been turned out for a long period of time.

The "Uno" "Gasoline" [Benzinovyye] engines, which make it possible to install a three-component catalytic converter without any alterations to neutralize exhaust gases, have been equipped with an electronic ignition system, which guarantees their durability and simplicity of maintenance. However, because of economic and other considerations, particularly the position held by the Fiat management during the negotiation process, the decision was made in favor of the "Panda," although there was the risk that it would be completely obsolete by the time production was begun. By way of compensation, the possibility of assembling the new Soviet-Italian A-93 model, which is now in the design stage, in the second section of the "YelAZ" PO [Production Association] was considered. It appears that these plans were not considered to be realizable, either.

Exactly one year ago, Igor Nit, doctor of economic sciences and head of a group of RSFSR VS [possibly Supreme Soviet] experts, said in an interview with an AVTO correspondent that the YelAZ project would turn into a disaster, the usual long-term construction project. "This will not be the first construction project that is begun... and is completed much later than the date set and costs much more than planned." Igor Vasil'yevich suggested a specific idea at that time to get out of the crisis: abandon the foreign model and begin saturating the domestic market with domestic spare parts in order to develop the production of the Soviet makes that exist in the near future. This idea did not require a gigantic construction project or foreign investments.

It is unfortunate that the Ministry of Automotive and Agricultural Machine Building, the Ministry of Finance and the other departments concerned did not heed this common sense then.

#### **P. S. The USSR Public Expert Appraisal Committee's prediction on the fate of the YelAZ appears on page 3.**

#### **Fate Unknown -- C**

9/4/10/64B Moscow, ITTO in Russian, No. 1  
30 Apr 6 May 91 p. 3

[Views of the USSR Public Expert Appraisal Committee on the expediency of producing a "people's car," as reported by A. Solntsev. "We Do Not Need This Kind of YelAZ"]

[Text] As you have surmised, this concerns the plan that was widely advertised at one time to establish a plant in Yelabuga to turn out the subcompact "Oka" automobile on a large scale. That amount of sensation was created at that time. The project's originators shared their extreme plans in the press to satiate the market with the Soviet version of the famous "beetle" at a very reasonable price.

*The vehicle would be equally suitable for students, housewives, and pensioners, the advertisement read. In a word, a "people's car."*

*Not long afterward, there was the idea of making the "people's car" with the people's funds. Still later there was the idea of enlisting foreign capital--the Italian Fiat concern--to implement the project, and to turn out not only the "Oka," but the "Panda" as well. Later on*

*Utterward the passions calmed down somewhat, and they slowly began to forget about the next "project of the century." Some newspapers pursued meager reports of the problems that had arisen. It is interesting to learn what they think about this in the USSR Public Expert Appraisal Committee (KOE), where the Minavtoselkhozmash [Ministry of Automotive and Agricultural Machine Building] sent the "Concept for developing capacities to manufacture subcompact passenger cars in the YelAZ Production Association" for their consideration.*

#### **The Soviet Government Plus Providing Automobiles for the Entire Country?**

But before we familiarize ourselves with the expert committee's conclusion, let us point out that those in the KOE do not hold the rather widespread view that accelerated production of automobiles for the country is necessary at any price, to put it mildly. According to data from the Minavtoselkhozmash, only 32.6 percent of the demand for passenger cars is being met. Hence, the experts feel, the oversimplified conclusion is drawn that their production should be tripled. At the same time, they refer to experience in the United States and Japan, where up to 10 million automobiles are produced under conditions where they have a high standard of living. But the USSR has neither the scientific and technical potential nor a standard of living such as this.

When they speak about meeting public demand, they do not mean possession of an automobile as such, but a real opportunity to use it as a means of transportation. But a car alone is not enough for this; we need roads, fuel service, spare parts, garages and parking places, that is, the appropriate infrastructure, which is in rudimentary condition here, unfortunately. Abstract demand, without taking into account the economic capabilities, does not characterize demand as such at all, but the level of material well-being theoretically possible in one country and achieved in another one.

Our provision of 53 cars per 1,000 residents or 17 per 100 families (compared with 180 per 100 families in the United States) attests to the fact that this item is obviously a luxury for us. In order for it to become an integral part of our modern way of life, this indicator must be increased at least fivefold. But in any event, increased automobile production should be synchronized with the provision of conditions for their normal operation. Otherwise, injecting a dose of "inexpensive" cars (the initial YelAZ project called for 900,000 cars to be turned out annually at a price of 5,100 to 5,500 rubles [R]) will only reinforce the absurdity of the economic situation.

**A Surprise for the Wealthy**

Generally speaking, why did we need such a large-scale project as the YelAZ? From the viewpoint of the current crisis in the economy, one of the most important tasks is to stabilize the circulation of money. It would seem that manufacturing automobiles would contribute to this. But we must not forget that the problem of stabilizing monetary turnover should be resolved in the next two or three years. Clearly, we will not be able to organize the output of automobiles in such a short period of time. Moreover, the capital investments allocated by the state will become an additional factor of inflationary pressure, since wages will be paid to the construction workers much sooner than these funds will begin to be recovered. This is why construction of the YelAZ will lead to more inflation initially.

We also need to take into account the situation that is taking shape in the country. Even turning out 900,000 relatively inexpensive cars in a year will reduce the shortage in the commodity market by no more than R5 to R6 billion. This will not only not lead to a radical change in the situation, it will not even have any substantial effect on it. It would be logical to raise the prices, which are unjustifiably low at present, taking all the market circumstances into account.

The introduction of genuine market relationships will inevitably entail substantial price dynamics for all or nearly all goods and services. How will the appearance in the market of 300,000, 600,000, or 900,000 YelAZ automobiles be reflected? If the relative cost of automobiles falls when there is free price formation (this is entirely possible, for there will probably be a very high increase in the prices for food products and gasoline), even if this is after an initial surge, such a sharp increase in production is obviously inadvisable. The appearance of a vast number of new automobiles in the market may lead the sector to disaster—a decline in prices to a level where no profitable motor vehicle plants will be left.

No matter how unlikely such a turn of events appears from the positions of our usual perception, it is possible in a shift to market conditions. It has not been ruled out that even 5.3 cars per 1,000 residents would be too many in our economy's disastrous condition.

If the price increase is relatively moderate, then building the YelAZ for a capacity of 900,000 automobiles or an adjusted 600,000 will knock down the prices, and the investments will not be recovered. Only when there is a steady and substantial increase in prices can realization of the project turn out to be economically expedient.

On the other hand, there is every reason to assume that the demand for cars of this type will not turn out to be as great as anticipated in the changing conditions. From this viewpoint, the figure of 600,000 also is set too high. It has been assumed that most of the car's buyers would be persons of moderate means. But with a price that has been set centrally, it will be more profitable for them to speculate in such vehicles, whereas they will prove to be

inaccessible at the market price. At the same time, a significant number of well-to-do citizens who already have one car would want to purchase automobiles of the "Oka" type.

This question needs more thorough sociological research, but public opinion polls already indicate the problems of "empty shops," housing construction, and combating crime are put in the forefront, not the development of a "people's car."

**Trust, But Verify**

In the experts' opinion, the way to complete construction of the YelAZ that is most justified is to enlist alternative (not state) sources of financing. But even here not everything proceeds as smoothly as it appears at first glance.

For potential investors, the attractiveness of the YelAZ compared with other alternatives for investment (securities, deposits in commercial banks, the purchase of luxury items that continuously rise in price, and so forth) is not very great. Moreover, shareholders will be able to obtain dividends on stock of the "YelAZ" Production Association after construction is completed and series production of the cars is organized, at best.

For this reason, the most likely investors are enterprises, organizations, and private individuals interested in obtaining the cars for their personal use or for distribution in labor collectives. In this case, all the production for the first two or three years will go just to meet the loan obligations. Delay in meeting the obligations may result in an unpredictable reaction and develop into a serious social and political problem.

According to rough estimates, the last holder of a bond who invested funds in the YelAZ will receive the car only after 10 or 11 years. Such conditions are unlikely to attract investors in a rapidly changing economy. The only possibility of increasing the confidence of potential creditors is by improving the technical and economic indicators of the project and by ensuring that there is as much openness about it as possible.

**Fiat Is Not to Be Trifled With**

The experts have also given a very skeptical assessment of the foreign exchange aspects of the project. This refers to the Soviet-Italian joint venture to manufacture (assemble) the "Panda" automobiles. Judging by everything, the project is profitable for Fiat even if none of the cars built are sold (either on the domestic or the foreign market) because of the sale of "know-how," equipment, complete sets of items, and so forth. This turn of events would be a disaster for the Soviet side.

The commercial profit built in by Fiat from exporting its SP [possibly: product services] provides it with more than a 35-percent internal profitability norm on invested capital. With the export measures planned, the Italian concern will recover more than all its expenses over three

years. The high internal profitability norm attests to its lack of confidence in sales of the Soviet-built vehicle over the long term at such a high price (roughly \$6,600).

The Italians' lack of confidence in the prospects for continuous sales is also confirmed by the following sentence: "Fiat Auto is under obligation to buy and sell up to one-third of the output produced through its service network in the countries of Western Europe each year."

The way this is worded indicates that the foreign partner is not assuming practically any commitments.

### **Where Is the Money, Vanya?**

Regardless of the source of financing, it is necessary to estimate the amounts of funds required and determine whether it is possible after the expenditures planned to establish a really efficient complex which integrates not only the Yelabuga plant, but numerous subcontractors as well.

The total capital investments presented in the documents for the expert committee add up to R13.6 billion, including R10.3 billion for the Ministry of Automotive and Agricultural Machine Building and R3.3 billion in other sectors. These are vast amounts under the budget deficit conditions. At the same time, it is unclear which prices were used to calculate the investments cited and whether they will rise even further by 1995 under inflationary conditions.

The experts' conclusion is that utilizing such a volume of capital investments in the periods planned is unlikely to be practical. In the meantime, it is not clear what the sources of foreign exchange (3.45 billion inv. [possibly: investment] rubles) are for industrial construction of the YelAZ and its associated plants.

The experts also point out that only R1.6 billion rubles of the total sum of capital investments, or 12 percent, were scheduled to be used for housing construction and civic amenities in the city of Yelabuga. These funds are obviously inadequate to resolve the complicated social problems of the region.

The indirect costs which will emerge inevitably as the pressure on the infrastructure increases have not been taken into account, either: new filling stations, parking places, technical maintenance centers, and roads will be needed.

### **Vehicle-Manufacturing Cities Are Not in Fashion at Present**

Construction of the complex of plants for the "YelAZ" Production Association is planned on the right bank of the Kama [River], in the southern part of the Yelabuga heights. In this region, the Nizhnekamsk industrial region, the world's largest—the automotive plant in Naberezhnye Chelny and the chemical enterprises in Nizhnekamsk and Mendeleyevsk—was formed on densely settled territory over the past 30 years. The

distance between cities is no more than 10 to 20 kilometers, and the population numbers 900,000; the prospective population (without taking the YelAZ into account) is 1.3 to 1.4 million.

In evaluating the region selected for location of the huge automotive plant, the KOE specialists maintain that it is a poor area on the whole for both ecological and socio-economic considerations. Yelabuga's population can be allowed to increase by 300,000 to 500,000 at the most.

So the expert committee's principal conclusion is that further financing of the YelAZ with budget allocations is not advisable. The experts recommend that the matter of enlisting alternative sources of financing be considered. In this case, the output volumes have to be adjusted.

## **RAIL SYSTEMS**

### **Ministry, Branch Union Agreement on Rail Workers' Social Issues**

*914H0168A Moscow GU'DOK in Russian 30 Apr 91 p 1*

[Agreement on behalf of the Collegium of the Ministry of Railways and the Presidium of the Trade Union Central Committee, signed by N.S. Konarev, minister of Railways, and I.A. Shinkevich, chairman of the Central Committee of the Independent Trade Union of Railroad Workers and Transport Construction workers: "Agreement Between the Ministry of Railways and the Central Committee of the Independent Trade Union of Railroad Workers and Transport Construction Workers for 1991"]

[Text] The Ministry of Railways and the Central Committee of the trade union, in expressing the striving toward constructive cooperation, with the aim of effectively protecting the social and economic interests and rights of the railroad workers, reducing the level of social tension in the sector's work collectives and ensuring their stable work, have reached an agreement for 1991 on the matters stated below:

#### **I. The Ministry of Railways pledges:**

1. In conjunction with the railroads and enterprises, to ensure a rise in wages of at least 50 percent on the average.

To introduce additional payment for split-shift work of locomotive engineers and their assistants and passenger car conductors.

To solve the problem of issuing railroad transport workers suburban tickets of form 4, on the strength of through service individual tickets, for trips for personal needs for a distance of up to 150 km, with family members who are their dependents.

Period: 2d quarter.

2. When measures are taken to cut back the number of workers at railroad transport enterprises, to specify that

## TRANSPORTATION

JPRS-UEA-91-027  
31 MAY 1991

the contingent released be used in newly created industry of subsidiary activity and their retraining organized.

Period: during the year.

3. To work out a system for the economic mechanism that provides for the stable economic functioning of line enterprises, railroads and their divisions under the conditions of market relations.

Period: 2d quarter.

4. To safeguard procedures for the work and personal safety of railroad workers in regions of interethnic conflicts with an unfavorable criminogenic situation.

Period: during the year.

5. To achieve the necessary guarantee of job placement for all graduates of the sector's educational institutions.

Period: during the year.

6. To coordinate with the trade union Central Committee decisions affecting the social-economic interests of all railroad workers, including those in individual occupations.

Period: during the year.

7. To draw up designs for new types of special work clothing and special footwear for workers washing and steam-cleaning railroad tank cars, washers and scrubbers of freight cars, track machine operators and contact-wire system electricians.

Period: during the year.

8. To ensure the completion of inspections of the sanitary-hygienic labor conditions for workers in refrigeration service, subways, track installation, locomotive brigades and passenger car conductors, with preparation of the appropriate recommendations and suggestions.

Period: 4th quarter.

9. To continue the development of sanitary-hygiene regulations for the use, in railroad transport, of asbestos-containing materials as ballast, and to prepare proposals for their further use.

Period: during the year.

10. To continue scientific research and experimental design studies on subjects related to the problems of cleaning up the consequences for railroad transport of the accident at the Chernobyl AES.

Period: 1st quarter.

11. To draw up new standard plans for rest houses for locomotive brigades, which take into consideration the requirements included in the "Rules for the Arrangement and Maintenance of Rest Houses for Locomotive Brigades", approved in 1990.

Period: 3d quarter.

12. To ensure the allotment of funds for fabric and the supply of new types of special work clothing and special footwear:

—Gudok-T heat-resistant suits—116,000 sets;

—Dvizhenets heat-resistant suits—20,000 sets;

—Energetik heat-resistant suits—20,000 sets;

—Suits for tank car washers and steam-cleaners:

—Winter—2,500 sets;

—Summer—2,000 sets;

—Suits for battery workers—8,000 sets.

Period: during the year.

13. To provide special winter work clothing for railroad workers in the North and in Siberia.

Period: before 1 October 1991.

14. To organize equipment of passenger cars with toilet facilities for conductors, following a design developed by the Riga Branch of the PKB TsV, in the amount of 75 units.

Period: during the year.

15. On the basis of contractual relations with the organizations of Goskomgidromet, to finish work on determining the degree and zone boundaries of radioactive contamination resulting from the accident at the Chernobyl AES and on sections of the Belorussian, Southwestern, Lvov, Moscow and Odessa railroads; to organize, through the forces of railroad transport enterprises in these zones, constant radiation monitoring at stations and other facilities of the sector.

Period: during the year.

16. To organize, through the forces of the enterprises of the Belorussian, Southwestern, Lvov, Moscow and Odessa railroads, measurement of the levels of radioactive contamination stemming from the repair of rolling stock from zones having radionuclides, in order to take measures for radiation safety.

Period: during the year.

17. To improve the health of workers and members of their families working and living in regions subject to the radioactive effect of the Chernobyl AES and suffering as the result of cleaning up the accident at this AES, and to allot 5,200 travel permits to departmental sanatoriums and dispensaries, rest homes and boarding houses.

Period: during the year.

18. To draw up recommendations on medical and sanatorium-health resort rehabilitation for railroad workers and members of their families from zones that suffered as the result of the accident at the Chernobyl AES.

Period: 3d quarter.

19. To implement, through decentralized procurements, the supply of at least 1.5 million rubles worth of spring vegetables, mineral water, juices, canned fruits and vegetables and other ecologically pure foodstuffs to railroad men working in zones contaminated after the accident at the Chernobyl AES, and to members of their families.

Period: during the year.

20. To ensure constructing and putting into operation facilities of the social sphere, to be carried out through State centralized capital investments: housing—70,100 square meters, children's preschool institutions—for 370 spaces, general education schools—for 192 spaces and out-patient clinics—for 140 visitors a sh.<sup>19</sup>

To put into effect the program, for construction worked out by the railroads, through all sources of financing, including funds allotted from the spare balance, formed as the result of fulfilling the social insurance budget of the trade union Central Committee for 1990: apartment houses with a total area of 3.3 million square meters, preschool institutions—for 13,500 spaces, general education schools—for 13,000 students, clubs and palaces of culture—for 2,000 spaces, hospitals—for 2,160 beds, out-patient-polyclinic institutions—for 8,000 visitors, sanatorium-dispensaries—for 416 spaces, and the development of a network of public catering and retail businesses.

Period: during the year.

21. To provide workers with traveling jobs (locomotive, refrigerator brigades, conductors, etc.) with food packets or hot meals in the period when they are away from their main enterprise:

Period: during the year.

The Central Committee of the trade union is doing its utmost to assist the Ministry of Railways in carrying out this Agreement, reduce social tension in the labor collectives, improve production relations, reinforce labor discipline and improve the health of the workers.

## II. The Central Committee of the trade union is allotting:

To the work collectives of railroad transport enterprises and organizations, this year, travel permits for sanatorium-health resort treatment and rest:

—to sanatoriums—73,900 units;

—to boarding houses with treatment—7,400 units;

—for out-patient treatment (tickets for treatment and food)—6,200 units;

—to rest institutions—38,900 units.

From the total number of travel permits, to issue:

—up to 10%—free of charge;

—up to 70%—collecting 10% of the cost;

—up to 20%—collecting 30% of the cost.

Funds from the social insurance budget to finance construction and acquire equipment, stock and medical instruments to fit out sectorial health institutions in the amount of 27.35 million rubles.

It is organizing health care in sectorial sanatoriums and dispensaries for at least 180,000 railroad workers, including parents with children and pregnant women.

Period: during the year.

It is increasing expenditures for food in sanatorium-dispensaries up to eight rubles a day.

In addition, it is providing for an additional 8,900 travel permits for sanatorium-dispensaries, sanatoria in pioneer camps, rest institutions, etc., to improve the health of workers and members of their families who work and live in regions exposed to the radioactive action of the Chernobyl AES and suffering as the result of cleaning up the accident at this AES.

Period: during the year.

## III. The Ministry of Railways and the Central Committee of the trade union are obliged to achieve:

—granting of the right to preferential pension provision to railcar inspectors, railcar inspector-repairmen, fitters at technical service centers for railcars, workers engaged in routine maintenance and repair of the tracks;

—travel in a compartment car for a through service individual ticket for railroad workers and members of their families who are their dependents.

The parties ensure constant monitoring and responsibility for fulfillment of the Agreement.

Any of the parties, having signed this Agreement, has the right to introduce proposals on amending and supplementing the Agreement, after presenting the necessary substantiation.

## Enterprises' Rail Systems, Sidings in Poor Repair

914H0168B Moscow GUDOK in Russian 30 Apr 91 p 2

[Article by A. Simon, chief of Track Inspection Station No 8, candidate in Technical Sciences: "The Plants Are Turning Out Defective Parts"]

[Text] The railroads and the access tracks of enterprises are poorly provided with switch assemblies right now. The country's industry needs 80,000 pieces of them a year, but the plants produce only about 35,000. The situation is exacerbated by the fact that the line sections are more and more being supplied with heavy rails, and only 30 percent of the R-65 switch assemblies are being manufactured. The rest are made of R-50 rails.

**It turns out that even without that, the weak spot of the railroad track is becoming even weaker. Six pairs of switch fishplates are potentially six possible places for a break. Switch assemblies like this constantly require increased attention from the track men.**

**It is all the more annoying that these switch assemblies, no longer strong enough for today's use, are being manufactured without the proper guarantee. Meanwhile, adhering strictly to technology, permitting no defective parts in work and carefully checking product quality means contributing to increased train traffic safety, which is so necessary right now.**

The telephone calls from the track subdivisions got the better of the track inspection station. The road foremen and brigade leaders had been complaining, one after another, for over a year about the sharp deterioration in the quality of manufacture and the completeness of the switch assemblies. Here a dangerous defective part at a crossing, there a point curved in the wrong direction, here rail pieces of the wrong length, and there not enough switch and crossing plates and chair plates to make up a set. That is why the track workers appeal to us, and not to the switch assembly plants.

It is possibly because PS-8 is a network station, and they regard us as representatives of the track main administration on the Northern Railroad. Our checks showed that the road foremen were telling the truth: there are lots of defective parts at the switch points. Moreover, all three plants are culpable: Murom, Dnepropetrovsk and Novosibirsk.

Here are specific examples. In July of last year, at the Gostov Station, a frog with a rotating vee-piece broke just ten days after the switch assembly was laid. It was clearly the plant's defective part. If it had not been for the alertness of the road foreman, a wreck could have occurred. The Murom plant made these frogs, and the road submitted a claim. At the same time, we informed the track inspectorate at this plant of the case.

It will be appropriate to note here that at each plant, not only the worker's conscience and reliable technical control departments monitor the quality of the switch products—our own track inspectors are there (five to seven people making pretty good salaries). Well then, there has still been no reply concerning the state of emergency or the break in the "firm's" frog. Not from anyone.

They did not send the road a new frog to replace it, and they did not return the cost of it—almost 3,000 rubles. Indeed, this amount of money would have bought five ordinary frogs and transport would have gone on operating smoothly for at least ten years.

At the Sosnogorsk Station, after being in service for only two months and passing through sixfold less tonnage than they were guaranteed for, three heavy-duty manganese R50 type frogs from the same Murom plant went out of operation at the same time, due to cracks. The track subdivision tried to call the plant's representatives

and submitted a claim. All in vain! No one came, and the claim remained not only without satisfaction, but without an answer.

Later on I examined these frogs with the local track workers—with Darya Petrovna Lukovetska, brigade leader (twice named Honored Railroad Worker) and Aleksandr Igorevich Lenkov, road foreman (member of the Central Committee of the Independent Trade Union). In addition to the cracks in the frogs, they showed me plant "farces" that are hard to imagine: point-locking pieces welded to the side opposite where they should have been. I sent photographs of this "slip-shod work" to Murom, but neither the plant chief nor the senior track inspector replied to them. The information again went off into an abyss.

Symmetrical shunting switches have never been so shoddy made as at Murom last year. They have no connecting strips or crossing baseplates, there are fewer coach-screw holes made in the chair plates than are needed, and not where they should be. The guard rail chair plates do not come up to the right spot.

If the OTK [department of technical control] and the track inspectorate could only have heard everything that the track workers said about them when they were assembling these crossings to lay them. Surely they realize that the shunting crossings operate in the area of the shunting yard that is most dangerous for the track workers. They should be particularly heavy-duty, and the quality and precision of their manufacture be irreproachable.

We wrote about all this to the plant, as always to two addresses, in detail and exhaustively, with photographs. Over six months passed—no answer. But let it go, with an answer, you give quality. There is no quality, either.

Just then, as if prompted, the Dnepropetrovsk plant came along. It paid no attention to our information on the poor quality of the switches, frogs and diamond crossings. The jokers were even bolder than at Murom. When shipping, for example, a grade 2/9 diamond crossing to Yaroslavl, they included in the set for it a frog of a completely different grade and different construction, but marked it for the track workers as 2/9. It is just like driving a pig into a flock of sheep and hanging a nameplate on it with the inscription "ram."

Of course, the new diamond crossing has been lying idle for over six months, and the trains go along a worn-to-smithereens "coach screw." It is apparently up to the plant chief to replace this frog, and they do not intend to, because there is no news from either the management nor from our own track inspector.

You can sense that things at the DSZ [Dnepropetrovsk Switch Plant] are also quite bad with respect to technology: they simply cannot learn how to cut off the necessary piece of rail precisely when manufacturing switch assemblies. If a rail piece 3,336 mm long has to be sawn off at their plant, it ends up either 250 mm shorter

or 50 mm longer. And this is not suitable to lay on the track. In these cases (and there are many of them!), the track workers are obliged to cut new rail pieces. And the plant workers, who got the money for them—easy money!—go off, you know, somewhere.

The quality of the switch assemblies has also deteriorated at our leading switch plant—the one at Novosibirsk. Recently, a flatcar loaded with four type R65, grade 1/9 switch assemblies from there arrived at the Main Yaroslavl Station. The frogs in them should be bolted to the switch side plates, as agreed, but here everything was separate. Even the track workers could not succeed in assembling the frogs, because the 172 rail clips needed for this, and the bolts with the nuts and washers, proved not to be on the flatcar. In addition, they arrived with the wrong rail pieces.

It can be seen that at the switch plants they, including our own inspectors, think that the track workers will always find a way out of any situation. Incidentally, for some reason they all think that way: the railcar workers, and the STsB workers, and the transport workers and the construction workers, and even the ors [worker supply department] workers. But—stop, comrades! The track workers have nothing, they are poverty-stricken, at the level of the first postwar year. The track workers have no switch assemblies—neither new nor even old—no bolts, nuts nor rail clips, and no rails so that they can saw off a rail piece to replace a defective plant piece. Even if they did find rails, there is nothing and no one to work them—there are no rail-cutting saws, drills, machine tools, electric power plants, wires, fuel or people. As for switch bolts and screws—they have been scarce for many years. Is it perhaps enough to turn over to us one item after another?

We are getting complaints about the deterioration in the quality of the switch assemblies not just from Sosnogorsk, Yaroslavl, and Sharya. They are coming from Cherepovets, Rybinsk, Ivanov, Solvychegodsk, Vorkuta and Pechora, from practically everywhere. One has to think that the switch plants have filled up not just the Northern Road with inferior and incomplete switch points, but other roads as well. One can somehow understand the plant OTK controllers—after all, they get bonuses at the plant cashier's office. But our own track inspectors? Of course, they do not have eyes everywhere and cannot look after and observe everything, especially if they want to cheat you, but to turn out so many defective parts for the track sections under the wheels of the trains—this, as the humorists say, is a fraught situation. And to fail to react to information from the roads and fail to answer the letters from the track workers for years—this, I think, is simply dishonorable.

For all the information on the switch assemblies, on their quality, even if this information is negative, we should be, if not paid, at least thanked, and not met with silence. This information will ultimately go toward improving the quality of the products!

We realize that the switch plants have many other extremely serious problems, and we therefore do not, as they say, nag at them with trifles. We long ago shut our eyes to the commercial type of switches and frogs. All we ask are the essentials. We do require, though, that for our money you make standard items for us, at least in matters related to traffic safety, and to speeds and axle loads.

Our track-inspecting station is specialized for switch assemblies. We supervise the work of new, experimental and standard structures. We monitor many assemblies from the time they are laid to the time they are removed from the tracks. Unfortunately, during the last few years we have encountered not one switch or frog that was made in strict accordance with the technical specifications. Whatever the switch assembly—there is only slipshod, defective and substandard work. The intention of the manufacturers is extremely primitive—the track workers put it right, the track workers eliminate it, the track workers finish it up. But the track workers are not all-powerful.

## MARITIME AND RIVER FLEETS

### Shipyard Activity Reported

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[Reports prepared by A.N. Khaustov: "At the Shipyards"]

[Text]

### Ritm Scientific Production Association

I.P. Bogdanov, O.S. Kuklin, A.F. Poletayev and I.G. Shirshov were winners of the USSR Council of Ministers prize in the field of science and technology for 1990, for the work, "Development and Widescale Introduction into Industrial Operation of a Range of Hydraulic Sheet-Stamping Open-Side 4,000, 8,000 and 12,500 kN Presses with ChPU [digital program control]." The complex of scientific production and experimental design work on this subject was carried out by the TsNIITS [Central Scientific Research Institute of Shipbuilding Technology] and the Dnepr Production Association for Heavy-Duty Press Production, with the participation of a number of shipyards. The first model was manufactured in 1981, and quite a few of these presses were then put into production. They make it possible to increase the precision of the shape of large curved hull structures by 30-40 percent, to increase labor productivity in bending by a factor of 1.3-1.4, and to eliminate heavy manual labor in these operations. In 1985 the presses were awarded the State Seal of Quality. This efficient equipment is also in demand abroad—it has already been supplied to enterprises in five countries.

**Krasnoye Sormovo Yard Production Association**

"The bright minds and skillful fingers of the Sormovo workers and engineers created the first industrial unit in the USSR for continuous steel casting on 28 May 1955 at the Krasnoye Sormovo Plant"—these words were embossed on the memorial stand placed in the open-hearth shop. The group of Sormovo engineers who took part in developing this unit was awarded the Lenin Prize. Among them were N.N. Smelyakov, N.L. Komandin, K.P. Korotkov, N.P. Mayorov and A.V. Khripkov. Engineers N.S. Agazaryants and V.A. Akhantyev and workers A.A. Chvanov, I.V. Galanin, N.P. Kokhlov, P.I. Smirnov, B.S. Zhukov and N.A. Matyushin made a great contribution to setting up and developing the unit. Hundreds of thousands of tons of high-quality metal have been obtained by this method in the 35 years. While in 1956-1960, one grade of steel (steel-3) was poured at the first unit, in the following five-year period there were about two dozen grades. At present, two units pour up to 85 percent of the metal poured at the plant. Time takes its toll, though. It has been decided that the existing continuous steel-pouring units should be rebuilt in order to increase their reliability and improve work conditions. The work is slated to be done without stopping production during the time assigned for the planned repairs.

**Pallada Shipyard**

Floating docks are being built at this Kherson enterprise. At the end of March 1990, the starboard half of the next floating dock was launched. This event, by tradition, did not go unnoticed. At the ceremonial meeting, V. Vasilev, senior builder, thanked all the participants in the work and noted the leading brigades and outstanding workers and specialists. There was also a christener—technical inspector Tatyana Ryabaya—and the traditional bottle of champagne.... A launch is a launch—for true shipbuilders—it is always a holiday.

**Severnaya Verf Leningrad Shipyard**

An interplant school was held here in April for exchange of experience in the technology of pressing flanges and collars on pipes made of steel, copper and copper-nickel alloys. Specialists of 14 enterprises in the sector were given a graphic demonstration of the advantages of the method of pressing first introduced at Severnaya Verf, which makes it possible to do away with a large number of labor-intensive operations. It specifies mechanized pressing of the flange onto the end of the pipe, using a special centering device, installed on a PG-100 or PG-50 press. Next comes the welding, with a single weld applied instead of two. The pressing devices are simple in design and manufacture. The method is characterized by reliability, economy and a small amount of waste. This technology is also being introduced at a number of other shipyards.

**Nikolayev Branch of the TsNIITS**

Specialists of the Nikolayev branch of the TsNIITS and the Kuybyshev Polytechnical Institute imeni V.V. Kuybyshev have developed a technology for cutting ship structures by using the energy from a shaped-charge explosion. An elongated shaped-charge is used for this. When it blasts, a shaped jet of gas is formed, with a temperature below 400°C, which has high kinetic energy (velocity—up to 5,000 m/sec). Explosion cutting is ecologically preferable: with a blast of 1 kg of explosive, sufficient to split a structure 5 m long and 20 mm thick, the amount of carbon dioxide emitted to the atmosphere is comparable to that emitted by a motor vehicle engine in 10-15 minutes. This technology was tested on the territory of the Yard imeni 61 Kommunara when cutting the pressure hull of a submarine to be recycled, located at a floating dock. The work done in the course of five days was successful—the submarine was split into seven parts. At the same time, because of the short time for the process, there were no cases of fire. No damage to the dock was discovered. The use of the elongated shaped charge proved to be very efficient when splitting structures with composite plates. The developers of the method feel that it will gain wide use when splitting ships.

**Yaroslavl Shipyard**

The Yaroslavl shipbuilders have recently begun to develop a commercial approach to the exchange of scientific-technical information. Formerly, when scientific-technical documentation for nonstandardized equipment was transmitted, the purchaser paid only for the paper and the cost of making up the documents. Under the new conditions of activity, the content, the innovators' ideas and the engineering developments are first evaluated. The documentation is now transmitted according to a contractual price acceptable to both parties. For example, the yard received 4,600 rubles [R] for documentation on unique technological equipment required to install a main engine and shafting. The economic interest in disseminating efficient technical developments is also contributing to a rise in the prestige of the creative work of the engineers.

**Perm Kama Shipyard**

The volume of shipbuilding and machine building output at the plant this year on the whole remained at last year's level. The assignment for production of consumer goods, however, increased by 29 percent, and reached R7.4 million in cost terms. Moreover, a large part of the items for the population consists of various types of furniture (over R4.4 million worth). Among the innovations of the year are the Pelikan rowboats, built by plant specialists.

**Leningrad Admiralty Association**

The association is expanding the use of personal computers to solve design-technological problems. Until

1986 the engineering departments had virtually no personal computers, and some of the problems, mainly in calculation, were solved at the computer center. Then the automation of technological preparation for production began to be oriented toward setting up automated work places for the engineering-technical personnel. At the early stages, local problems were solved. Now they are going on to complicated projects. For example, in the course of technological preparation for production, output specifies the use of data bases for 72 technological documents on a personal computer network installed in a special office.

#### **Sevastopol Marine Yard imeni S. Ordzhonikidze Production Association**

An environmental protection department has been in existence in the association for over two years. Since April 1988, when it was formed, this specialized subdivision has had under its jurisdiction the problems of monitoring adherence to the requirements of environmental protection, efficient use of natural resources and introduction of the appropriate developments of science and technology. The environmental protection measures are carried out in close cooperation with the production departments and shops. For example, technology was introduced to detoxify hexavalent chromium in the industrial runoff from shiprepair. Work is being done to rebuild neutralization plants, purify dead steam and return the condensate for further use. Next in line is utilization of the sludge from the electroplating production facility, introduction of low-waste and waste-free technology at the painting production facility, etc. Under the new economic conditions, the material responsibility for violators who harm the environment is being considerably increased.

#### **Black Sea Shipyard Production Association**

In 1989 the association's collective provided the output of R7,410,000 worth of goods in the highest quality category, including over R6 million worth of consumer goods. The relative proportion of items with the State Seal of Quality in the total volume of goods suitable for certification was 92.7%. The following were produced with the Pentagon of Honor: the Tigina set of cabinet-type furniture, the Vorskla-18 set of leisure furniture, the TKh-13 ottoman, a sofa-bed, KUP 80S and KUP-150SI heat-recovery boilers, YaSh5 and YaSh7 anchor-warping capstans and Sh5 and Sh6 warping capstans. In addition, 207 completing items used in the manufacture of basic plant goods were produced with the plant "Certificate of Quality." In 1990, R8 million worth of goods in the highest quality category are to be produced, and 250 completing items with the plant "Certificate of Quality" are to be supplied.

Notice should be taken of a relatively new type of activity—rendering services to the population. Last year, R2,859,000 worth of paid everyday services were performed. These include: repair of apartments and private homes, manufacture of carpentry items for summer

homes (windows, doors, baseboards, casings) and metal tanks, repair and painting of private motor vehicles, and making motor vehicle transport available. Also included here are caring for children in preschool institutions, services in the sphere of culture and sports, sanatorium-health resort service, and issuing various materials for ready cash. The 1990 plan specifies increasing the volume of paid services by R341,000 over last year. For further expansion of this type of activity, it is proposed that a store be opened on the yard's territory to sell, for ready cash, production wastes and certain types of items worth up to R50, manufactured by the workers themselves. At the same time, the procedure for formalizing personal orders will be considerably simplified. (*O.A. Zaretskaya*).

#### **Baltic Yard Production Association**

Deviations from design and technological documentation in the process of producing goods are being formalized by special permission cards. In the last few years, the number of these deviations in the association dropped considerably. While in 1987, 2,325 permission cards were registered, in 1989 there were almost half that number—1,186. At present there are particular difficulties connected with material-technical supply, since many of the former ties between enterprises have proved to be disrupted. Nevertheless, the number of permission cards for substitution of materials in 1987-1989 dropped consistently—1,074, 874 and 477 respectively.

#### **Dalzavod Production Association**

Floating dock No 10—the first one at Dalzavod—has been in operation for 15 years. From the time it arrived at Vladivostok on 12 May 1975, hundreds of ships have docked at it. As experience accumulated and technological operations grew more efficient, the size of the dock crew was reduced by 25 percent. B.A. Antipov and S.P. Kravets, engine mechanics, B.I. Patkov and Yu.K. Galyautdinov, electrician-mechanics, Yu.A. Ozhigov, seaman, A.P. Melikhov, bos'un, Yu.V. Sherban and G.L. Yamkach, electricians, and others have worked at the floating dock since its early days. In the last few years, the personnel turnover has not been over a few percent. The crew intends to take the dock under lease-contracting.

#### **Navashino Oka Shipyard**

In order to attract and assign to the plant turners, millers, borers, gear-tooth cutters, slotters, grinders, planers and operators of machine tools with digital program control, beginning this year, a rule was introduced on granting this group of piece-workers additional (up to six) days of paid leave. At the same time, the total length of the paid leave should not exceed 24 days a year. The funds for this are being allotted from the material incentive fund. In addition, the conference of the work collective has decreed that remuneration for years of service be paid from this fund to workers of the subdivisions of the nonindustrial group (OKS [municipal

construction division], ZhKO [municipal housing department], RSU [repair-construction administration], child-care institutions, etc.). With continuous work service at the plant of 5-10 years, the amount is 80% of the monthly wage rate (salary), 10-15 years—100%, and over 15 years—130%. The "13th month wages" will now be counted up according to a unified principle for all categories of workers.

#### **Krasnoyarsk Shipyard**

A.V. Kondratyev, plant specialist, is to take a 14-month economics and management training course in the FRG. He was one of the 40 winners of the All-Union Competition for Young Directors of Industrial and Scientific-Technical Collectives, which was held in April of this year. The Carl Duisberg Society was the FRG partner in holding this competition and organizing and financing the studies. After a questionnaire selection, an on-site competition was held, which provided for testing the knowledge of the German language, participation in business games, group tests and, finally, an individual conversation with representatives of the society. In the process of raising their qualifications, the Soviet specialists will not only attend a course in theory, but will also be able to work as understudies to the directors at various levels.

#### **Kristall Plant**

In addition to equipment for shipbuilding enterprises, including gas-and plasma-cutters with digital program control, the plant is also producing consumer goods. Erus radiators, glass-cleaners, clothes hangers, devices to warm children's food and Zdorovye-2 disks are in great

demand among the population. Some of these products also go abroad. Among the items recently developed are devices for trickle irrigation of orchard plots. This year, plant specialists were also engaged in making a new line to produce washing machines.

#### **Baltiya Shipyard**

As we know, enterprises can now spend part of the currency received from manufacturing products for export to acquire consumer goods. The shipbuilders of the Baltiya, for example, have received considerable funds from supplying Finland with a floating dock. It has been decided to purchase abroad, for currency, household equipment—1,000 color television sets, 400 videotape recorders, 300 sewing machines, 400 double-cassette and 1,000 single-cassette tape recorders, and 500 record players. The procedure for distributing the goods has been established by the council of the work collective.

#### **Kherson Shipbuilding Production Association imeni 60th Anniversary of the Lenin Komsomol**

The KhSPO joined the republic association for the output of Tavriya passenger vehicles, developed on the basis of the AvtoZAZ Production Association. Over two dozen enterprises took on the commitment of producing completing units for the new vehicle. The KhSPO will make the mufflers. When the association yields a profit, it will be divided among the enterprises according to their contribution to production. The unique "prize" will be Tavriya vehicles themselves, which will be distributed to the labor collectives at State prices.

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